Argentina rushes to meet deadline on debt, Page 4

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NEWS SUMMARY

GENERAL

Mubarak supports Hussein initiative

King Hussein of Jordan won Egyptian support for an attempt to mobilise the majority of Arab countries behind a call for a United Nations-sponsored international peace conference to resolve the Arab-Israeli conflict.

Egypt signalled not only support for the UN conference but also its acceptance of the Jordanian formula of seeking the return for occupied territories in exchange for peace with Israel.

Shimon Peres, Israeli Prime Minister, however, turned down the idea of a conference but offered direct negotiations with Jordan or a joint Jordanian-Palestinian delegation excluding the Palestine Liberation Organisation. Page 14

Paris sends troops

France sent members of its elite anti-terrorist squad, GIGN, to New Caledonia to help to restore law and order, diplomats said. Page 3

Acid rain fight

The UK Government is to resist the EEC draft directive on power-station pollution controls aimed at curbing acid rain. Page 6

Peace talks offer

Left-wing rebels in El Salvador proposed a third meeting with the U.S.-backed government of Sr José Napoleón Duarte to keep alive peace talks and said they supported a church call for a Christmas truce in the five-year civil war.

Pact ministers meet

Warsaw Pact foreign ministers began a two-day meeting in East Berlin expected to formulate policy for forthcoming arms control talks between the U.S. and the Soviet Union. Page 2

Athens car bombs

A car belonging to the Iraqi embassy exploded in Athens, killing a bomb disposal expert, and bombs were also found under three other cars belonging to the embassy.

Rebels killed

Twenty guerrillas were killed attempting to escape from an army camp during a rebel raid in Sri Lanka's Northern province. A soldier and a civilian were also shot dead in the north of the country.

Zia 'will stay'

Pakistan President Mohammad Zia-ul-Haq will stay in power even if he loses a referendum this month designed to give him a five-year mandate as president, the country's information minister said.

Sindona on trial

Italian financier Sig Michele Sindona went on trial in Milan on charges of fraudulent bankruptcy stemming from the collapse in 1974 of his Banca Privata. Page 2

Gulf air attack

The Cypriot-flag supertanker Minotaur was hit and damaged in an Iraqi air attack south of Iran's Kharg Island.

Moro appeal

Italian appeals court sitting in a fortified bunker in Rome began a review of the life sentences imposed on Red Brigades members for the 1978 killing of former prime minister Aldo Moro. The court adjourned until Thursday.

Smugglers hanged

Twenty-five drug smugglers and dealers were hanged in Tehran's Qasr prison.

BUSINESS

Textron $1.38bn Avco bid agreed

TEXTRON, U.S. conglomerate, increased its offer for Avco, a rival New England group, in an agreed $1.38bn deal. Page 14

DOLLAR rose in London to DM 3.115 (DM 3.1045), FFr 9.54 (FFr 9.49), SwFr 2.5655 (SwFr 2.5525) and Y248.15 (Y247.4). On Bank of England figures, its exchange index rose to 143.3 from 142.9. In New York it was DM 3.0892, SwFr 2.551, Y247.35 and FFr 9.4625. Page 33

STERLING lost 30 points against the dollar in London to $1.195. It improved, however, to DM 3.725 (DM 3.7125), FFr 11.39 (FFr 11.365) and SwFr 3.065 (SwFr 3.06) and was unchanged at Y298.5. Its exchange index fell 0.4 to 74.5. In New York it was $1.203. Page 33

WALL STREET: The Dow Jones industrial average closed 6.52 down at 1,182.42. Section III

LONDON equities were firm amid the BT debut. The FT Ordinary index gained 7.8 to 924.9. Gilts were mixed. Section III

TOKYO stocks drew selected buying that brought records both for the Nikkei-Dow market average, up 74.94 at 11,513.58, and the stock exchange index, 6.63 ahead at 880.99. Section III

GOLD rose $1.25 on the London bullion market to $330.50. It rose $2 in Zurich to $331. In New York, the Comex December settlement was $331.60. Page 32

ARGENTINA reached agreement with leading commercial bank creditors on a $20bn package to help restore orderly servicing of its $45bn foreign debt. Details, Page 4

POLAND and its 17 Western government creditors are within sight of an agreement of rescheduling $3bn in unpaid 1982-84 debt, according to Polish finance officials. Page 14

IRISH GILTS market was virtually halted yesterday on the first day of a strike by more than 300 central bank staff. Page 2

COUPON for West Germany's latest government bond was set at 7 per cent: the lowest for an issue with 10 years' maturity since 1979. Page 34

BRITISH AIRWAYS, due for privatisation next February, raised pre-tax profits by 26 per cent to a record £189m ($227m) in the six months to September 30. Page 5; Lex, Page 14

BOSKALIS WESTMINSTER, the troubled Dutch construction group, is to spin off its pipe-laying activities in a new company headed by former Boskalis managers.

MEXICO'S largest private company, Grupo Industrial Alfa, has regained its listing on the Mexican stock exchange after a two-year suspension for failing to provide sufficient information on its affairs. Page 15

PARIBAS, the French state-owned investment bank, has been given approval by the Australian monetary authorities to acquire a 15 per cent stake in Australian Bank, a recently formed commercial banking institution. Page 16

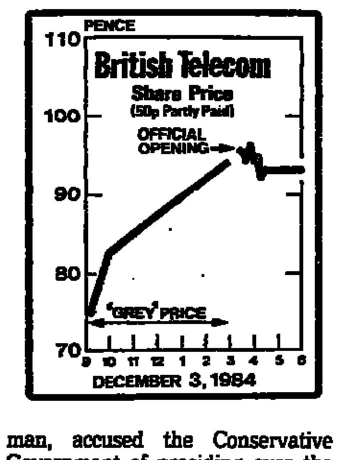
SIEMENS, the West German electrical concern, and Corning Glass Works of the U.S. are setting up a plant in Bavaria to manufacture optical fibre for communications cables. Page 17

DOMINION INTERNATIONAL, British property development, natural resources and financial services group, raised pre-tax profits to £3.12m ($3.74m) from £2.57m in the six months to September 30. Page 18

MASSEY-FERGUSON, Canadian farm equipment and diesel engine manufacturer, posted its third consecutive quarterly profit in the three months to October 31, with net earnings of $4.4m compared with a loss of of $11.9m a year earlier. Page 15

BT shares surge to big premium in hectic trading

BY ALISON HOGAN IN LONDON AND OUR FOREIGN AND POLITICAL STAFF



BRITISH TELECOM (BT) made a spectacular debut yesterday on its first day in the private sector. In London, its partly paid 50p shares opened at an immediate premium of 45p. In New York, where dealings began simultaneously, the shares reached an all-time record for trading volume.

The UK Government hailed the flotation, which will raise £3.9bn ($4.6bn), as a triumph for the spread of share ownership. The offer was heavily oversubscribed and this week's allocation of 3bn shares was made to favour small investors. It is estimated that there are 2.3m shareholders in BT, greatly increasing the number of private shareholders in the UK, and 415m shares have been sold in the U.S., Canada and Japan.

Mr Norman Tebbit, Britain's Secretary of State for Trade and Industry, who was injured in the IRA bomb attack at Brighton in October and is still in hospital, said that BT would be more widely owned than any other company. He said the flotation "re-established the supremacy of skill in the London market."

Criticism came from Britain's opposition Labour Party, which has pledged itself to renationalise BT. Mr Alan Williams, a trade spokesman, accused the Conservative Government of presiding over the biggest giveaway in British commercial history. "A 45p premium is not miscalculation, it is criminal incompetence," he said.

Dealing in the shares opened at 3pm, with stockbrokers on the London Stock Exchange jostling in hundreds around the jobbers' pitches, decorated with BT flags, huge model telephones and bright yellow balloons.

The high premium – at one point the price touched 97p, but it closed at 93p – brought out elusive sellers to meet the long list of potential buyers. The buyers were mainly institutions that had been left short in the Government's initial placing of 47 per cent of the £3.9bn offer, or 1.428m shares.

The sellers were mainly underwriters who had been allocated stock and overseas investors who could not resist a large and quick profit.

By the end of official trading at 6pm about 1bn shares – a third of the issue – were thought to have changed hands. (Some after-hours trading continued until midnight.)

The jobbers who feared that the great demand for stock would result in a poor level of trading were delighted with the volume that emerged. "It was a very high price, as much as the super-optimists could hope for, but there has been a sensible, stable two-way trade and a good volume of business," said Mr Charles Hue Williams of Wedd, Durlacher.

Trading of shares was in large amounts, usually of at least 1m

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Editorial comment, Page 12; Record British Airways profits, Page 5; Lex, Page 14; Stock markets, Section III

Factory gas leak kills more than 350 in India

By K. K. Sharma in New Delhi

AT LEAST 350 people, many of them children, were killed yesterday and possibly up to 10,000 others injured in Bhopal, capital of the central Indian state of Madhya Pradesh, when poisonous gas escaped from a Union Carbide pesticide plant. Ministers said the death toll might be much higher.

Mr Arjun Singh, the state's chief minister, said that the plant, located in the old part of the city about five miles from the heart of town, would be closed permanently.

Five of the plant's managers were detained, a special judicial inquiry was established, and Prime Minister Rajiv Gandhi announced immediate aid for the victims totalling Rs 4m ($327,000).

The leak of methyl iso-cyanate (MIC) from one of the plant's three underground tanks started shortly after midnight yesterday morning, and Bhopal was soon in panic as people fled their homes.

Screaming, crying and shouting, men, women and children came out into the winter night. Some collapsed and died on the streets. Scores died in their sleep. At Bhopal rail station, many porters and beggars died. The station superintendent was among them. Thousands of people were last night being treated in the city's hospitals.

At the onset of the disaster, bleary-eyed officials rushed to the plant, and summoned troops to evacuate the affected areas and provide medical aid. Initially, the hospitals were unable to cope as thousands of gasping people arrived.

Mr S. Kumaraswamy, regional manager of Union Carbide in New Delhi, said the tank contained 45 tons of MIC when a pressure build-up led to the rupture of a valve. MIC is stored in liquid form but erupts into gas at 21 degrees centigrade.

Mr Kumaraswamy said any escaping gas would normally be neutralised by a caustic soda scrubber but that yesterday pressure apparently rose too fast for the safety equipment to be activated in time to prevent a large volume from escaping.

The Bhopal plant is one of two plants in the world of its kind operated by Union Carbide. The other is in the U.S. state of West Virginia. The Bhopal plant has been in operation since 1977 and produces 2,500 tons of pesticides a year.

● The U.S. headquarters of Union Carbide yesterday expressed its "deep concern" and emphasised that the incident was "unprecedented"

Insecticide ingredient cause of tragedy, Page 4

EEC close to resolving wine lake problem

BY QUENTIN PEEL AND IVO DAWNAY IN DUBLIN

EUROPEAN COMMUNITY leaders were edging last night towards a deal to control surplus wine production and loosen the blockage that has for months held up negotiations for Spain and Portugal to join the EEC.

The 10 heads of government last night told their foreign ministers to work out the details of a compromise, which would make wine production uneconomic if the present 3bn-litre lake of unsold wine in the Community continued to grow.

They were due to report back to their heads of government late last night.

The new deal would seek to narrow the gap over how to cut table-wine production between Italy, the largest producer in the Community, and France. It also would put off a confrontation with West Germany on the sugaring of German wines to raise their alcohol content by proposing to produce a study in five years' time.

It was described by Italian officials as "an acceptable basis for discussion," although other officials gave warnings that the deal might still founder over technical details.

The essence of the plan, as hitherto, is to discourage surplus wine production by distilling any excess compulsorily into industrial alcohol at a sharply reduced price.

New elements include emphasis on the regional measurements of wine production, as favoured by Italy, rather than a system of national quotas, which would have benefited France. It also attempts not to penalise traditional high-yield producers in Italy.

The compromise would also introduce three stimuli to the process of compulsory distillation: when the market price falls to 82 per cent of the official price; when stocks exceed four months' normal consumption; or when production forecasts suggest that production will exceed consumption by more than 6 per cent. All would apply at present.

The heads of government were urged yesterday by Chancellor Helmut Kohl of West Germany to finalise the wine deal at their summit meeting, even if it meant getting involved in detail. After an initial discussion, they referred it to the foreign ministers – but with an instruction to report back before the end of the evening.

Earlier, the EEC leaders endorsed the broad guidelines for a 10-nation economic strategy, seeking to consolidate growth and tackle unemployment through reduced taxation, promotion of conditions for more flexible labour markets, and more rapid progress towards a genuine common market in goods and services.

Thatcher grabs the limelight in Dublin, Page 2

Striking British miners to defy court rulings

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

THE BRITISH National Union of Mineworkers has set itself on a course of total defiance of the courts and is seeking to involve the country's entire union movement in its contempt.

The union's special delegate conference, held at the Trade Union Congress's London headquarters yesterday voted by a large majority to adopt a five-point resolution that forbade payment of the £200,000 ($239,000) contempt fine levied against the union, co-operation with the court-appointed sequestrators or receiver and purging of the contempt case.

The last one of the five points calls on the TUC to convene an emergency meeting of its general council to "mobilise industrial action to stop this most vicious threat in our history to the freedom and independence of British trade unionism."

The TUC is thus, for the first time in the nine-month-old miners' strike likely to be faced with an unequivocal choice between continuing its "total support" of the NUM well beyond the limits of the law or backing away from a legal challenge that might put under threat its funds and possibly those of its affiliated unions.

The NUM leadership has therefore succeeded in dictating the terms of the conflict to the TUC, in spite of the qualms of many TUC General Council members over the conduct of the dispute.

Mr Norman Willis, the TUC general secretary, met the NUM's three national officials – Mr Arthur Scargill, the president; Mr Peter Heathfield, the general secretary; and Mr Mick McGahey, the vice-president – to receive a brief report after the delegate conference. Mr Willis is to consult his six senior TUC colleagues charged with liaising with the NUM, possibly today. The NUM leaders are to meet Mr Neil Kinnock, the Labour Party leader, on Thursday and will meet the TUC liaison officers on either Thursday or Friday.

Mr Scargill said after the two-hour delegate meeting that "the trade union movement has got a choice – it can either be in contempt of the law or in contempt of its members. If it ever loses the support of its members and they hold it in contempt, then the trade union movement is lost. This most serious threat by the High Court to smash the NUM is but a prelude to the smashing of the entire trade union and labour movement. I only hope that trade unionists recognise that they must stand up and fight."

The delegate conference resolution was a harder version of a motion put to it by the union's national executive, which, in meetings yesterday and Sunday, had agreed by 11 votes to six to propose that the NUM funds now lodged in foreign bank accounts be brought back to the UK.

That move, apparently taken on

Continued on Page 14

Luxembourg bars way to pit union funds; Law may frustrate receiver, Page 5

World Bank to raise $1bn aid for Africa

BY ANATOLE KALETSKY IN LONDON

THE WORLD BANK hopes to raise $1bn within the next few months from industrialised countries' governments to establish a new assistance facility for African nations that agree to economic and agricultural policy reforms.

Mr Moeen Qureshi, the bank's senior vice-president for finance, said in London yesterday that he hoped for commitments of $100m–$150m, spread over three years, from six of the biggest donor countries and that that would be sufficient to launch the new facility, which might be called the Fund for Africa. The bank had already received assurances of support from France, Italy and the Nordic countries, while Canada, the Netherlands and several Arab governments had "responded favourably" in talks with senior bank officials over the past few weeks, he said.

The bank is hoping to present final proposals for the new facility to a meeting of aid donors at the end of January and to put it into operation as soon as possible. However, there are still "real difficulties" in persuading Britain to participate and the bank was "not very hopeful" of early support from the U.S., Mr Qureshi admitted. Germany and Japan appear to be reserving their positions while the details of the new plan and the degree of support for it from other nations are further clarified.

The bank believes that the new facility must be launched as soon as possible not only because of the "disastrous" economic and agricultural conditions in much of sub-

Continued on Page 14

Bank of England Governor urges greater IMF role, Page 6

W.German groups bid to export satellites

BY JOHN DAVIES IN FRANKFURT

WEST GERMANY has taken a key step in ambitious plans to obtain export orders outside Europe for complete communications satellite systems.

The four companies already working on a satellite project for the Bundespost, West Germany's postal and telecommunications authority, have formed a joint company, Gesat, to seek orders abroad.

The companies are MBB-Erno, the aerospace concern, and three communications groups: Siemens; ANT Nachrichtentechnik; and Standard Elektrik Lorenz, a subsidiary of ITT of the U.S.

When the consortium received the Bundespost order a year ago Bonn indicated that it wanted to encourage West German industry to gear up to compete in world markets for space communications technology.

The consortium sees prospects of orders from Latin America and Asia, including China, despite strong competition from other suppliers in the U.S. and France.

Herr Karlheinz Rauh, one of the Gesat managers, said countries outside Europe might decide on three to six communications satellite systems in the next five to 10 years.

He said the West Germans felt they had a strong chance in this market because they were offering complete equipment and technology, including the integration of data into ground telecommunications networks. Competitors in other countries were offering only part of the technology involved, he said.

The Bundespost order, worth DM 815m ($267m), is for a system called DFS-Kopernikus, consisting of two operational and one replacement satellite plus 34 ground stations. The contract includes development costs but not the cost of space shots.

UK may face £250m bill on Tornado deal

By Bridget Bloom in London

BRITAIN expects to have to pay West Germany at least £250m ($300m) because of imbalances that have arisen in work-sharing on the multinational Tornado aircraft project.

The imbalance, which appears to be causing some friction between London and Bonn, has arisen because West Germany has carried out more work on the multi-million-pound project than was originally planned under a complex formula that shares out work and costs on the project between the three Tornado partners: Britain, West Germany and Italy.

The work has apparently been for parts of the Tornado needed by Britain but made in and funded by Germany.

CONTENTS

EUROPEAN NEWS

Tension runs high as Sindona finally faces fraud charge

BY ALAN FRIEDMAN IN MILAN

SIG MICHELE SINDONA, the Sicilian financier and former adviser to the Vatican, went on trial in Milan yesterday on charges of fraudulent bankruptcy.

The charges stem from the collapse in 1974 of Sig Sindona's Banca Privata.

It was the 64-year old financier's first public appearance in Italy in ten years. He was extradited from the U.S. on September 25.

In the courtroom at Milan's imposing Tribunale building tension was high. Photographers jumped over wooden benches when Sig Sindona entered after being brought from a maximum security prison about 50 kms south of Milan.

The trial of Sig Sindona, who has threatened to implicate senior Italian politicians, marks the first time in recent years that the acknowledged author of an scandal has had to answer for it in court.

The late Sig Roberto Calvi of Banco Ambrosiano, a close associate of Sig Sindona, was found dead in the City of London. Sig Licio Gelli, the alleged grandmaster of the outlawed P-2 freemasons' lodge and another associate of Sig Sindona, is on the run, believed to be in South America.

Sig Sindona was convicted in 1980 and sentenced to 25 years in prison on charges connected with the 1974 collapse of the Franklin National Bank.

He was escorted yesterday into a 20-ft high mental cage. He was smiling and looking drawn, dressed in a sombre dark suit with a white shirt and striped silk tie.

Sig Michele Sindona

Clearly enjoying the attention of the photographers, he grinned broadly and cracked jokes with the guards.

The court session was a humdrum affair, with a motion from Sig. Sindona's defence lawyer that the trial be combined with another concerning Sig Sindona's alleged conspiracy to murder the liquidator of Banca Privata.

The motion was rejected. The trial will resume on December 12.

Italy likely to tighten up on foreign takeovers

BY JAMES BUXTON IN ROME

ITALY'S Ministry of Industry is studying the possibility of introducing legislation to tighten up the procedures under which foreign companies make investments in Italy.

The rash of investments by foreign companies in Italy in the past year — including A. T. & T.'s purchase of 25 per cent of Olivetti and the taking of control of Zanussi by the Swedish concern Electrolux— have highlighted for the Italian Government its lack of control over such transactions.

A basic weakness, from Rome's point of view, is that private Italian companies are under no obligation to tell the Government that they are concluding deals with foreign concerns.

In the case of the A. T. & T.-Olivetti deal, Sig Bettino Craxi, the Prime Minister, was told only a few minutes before the announcement to the press.

Only a journalist's scoop allowed the Government to hear of Zanussi's talks with Electrolux.

Under present laws, the Government has no clear-cut way of blocking a deal that it believes is against the national interest.

Denmark caught in debt trap says central bank

BY HILARY BARNES IN COPENHAGEN

WITH THE current strength of the dollar and level of international interest rates, Denmark is caught in a serious debt trap, the National Bank (central bank) says in its latest quarterly monetary review.

Net interest payments to abroad in the first nine months of this year increased to DKr 17.1bn (£1.2bn) from DKr 13.8bn last year. Rising interest rates and the appreciation of the dollar caused interest payments on variable rate dollar debt to increase by 25 per cent in krone terms.

Just to pay rising interest payments, industrial exports (after allowing for the import content of increased exports) need to increase by about 3 per cent a year.

A reduction in the current balance of payments deficit would therefore need a very substantial increase in exports, the bank says.

Such a development will scarcely be possible without a considerable further improvement in the competitive ability of Danish exporters.

Strike hits Irish gilt market

BY BRENDAN KEENAN IN DUBLIN

THE Irish gilt market was virtually out of action yesterday on the first day of the strike by more than 300 staff at the Irish central bank.

The Government broker was willing only to buy stocks, and the strike means that dividends will not be paid as they fall due.

In an apparent effort to get round the effects of the strike, the Department of Finance announced the issue of nine new stocks of I£10m (£8.3m) each, ranging in maturity from 1986 to 2005.

These are some of the longest-dated stocks to be issued for some time and were expected to prove popular.

The issue of the stocks tomorrow should enable the Government to continue raising the domestic funds needed to keep to its foreign borrowing targets. The Department will act as registrar for the new stocks, a function normally carried out by the Bank.

The staff have demanded a 15 per cent pay rise but the bank has offered a 3 per cent increase.

Thatcher grabs the limelight in Dublin

By Ivo Dawnay in Dublin

EVEN WITHOUT the late and unlamented British budget problem, Mrs Thatcher still somehow manages to grab the EEC limelight, and yesterday at the European Council summit in Dublin was no exception.

In part, of course, this owes much to the militant Irish Republican movement, which has done more for the British Prime Minister's opinion poll ratings in recent months than her publicists at Saatchi and Saatchi.

All the talk at Dublin Castle was of the intensive security that left the Iron Lady and her cohorts ringed by blue-eyed Garda and irritated citizens locked out of their city centre.

Reports of sightings of Sam Missiles — not, as some thought, another inebriated Irish poet, but an air defence system — made headlines in the more excitable Irish Press.

The Irish Times, however, presented the first of a promised series of articles on the inner workings of the British PM's mind.

Mrs Thatcher, after all, had guaranteed herself a controversial reception through her alleged rebuff for the New Ireland Forum's Ulster peace initiative, delivered with such aplomb after her summit with Dr Garret FitzGerald in England last month.

Her popularity in Dublin would rate roughly on a par with Arthur Scargill's at a meeting at Royal Ascot.

Nevertheless, her helicopter-borne arrival yesterday provoked an entirely predictable welcome in a series of bomb scares from the Irish National Liberation Army — but with an added and particularly Irish twist.

In an extraordinarily generous gesture, faintly reminiscent of the bomb-sniffing incident during the French President's recent visit to London, INLA announced from the outset that all its bombs were hoaxes, but nevertheless invited the Garda to find them.

(At the time of writing, the score was INLA 6, Garda 1.)

Meanwhile, for the Press, the principal challenge was getting into the castle's warren of dungeons and cellars to begin their two-day sentence.

Once inside, they faced the added terror of Mr Bernard Ingham, the British Prime Minister's spokesman, who promptly cast doubt on anyone ever escaping.

For those lucky enough to escape outside the battlements, life continued with characteristic Irish charm. The bishops here, too, are in revolt against the Government, attacking plans to extend licensing hours.

Mr Charles Haughey, the Opposition leader, has flown off in a blaze of headlines to join the queue of dignitaries awaiting an audience outside Col Gadaffi's office in Libya.

In front of the Central Bank, union members from ASTMS were enjoying a quiet day's strike.

It is heartening to see that in this area at least Ireland has not wholly dispensed with her British heritage.

Norway-Soviet talks

NORWAY and the Soviet Union are this week trying once again to agree on how to draw the boundary between their sectors of the Barents Sea, Fay Gjester reports from Oslo. Discussions on the subject opened in Oslo yesterday, and are expected to continue until Friday.

The two nations staked overlapping claims to the Continental Shelf in these strategic waters 10 years ago. Since then, the disagreement —about an area totalling 58,000 square miles — has remained unresolved.

Moscow 'to match U.S. on ABMs'

BY PATRICK COCKBURN

THE SOVIET daily Pravda warned yesterday that Moscow would match U.S. efforts to create any anti-ballistic missile (ABM) system, and accused Washington of trying to establish military superiority through the use of new technology in space.

The priority which the Soviet Union gives to denouncing President Ronald Reagan's "Star Wars" plan indicates that the Kremlin regards it as a genuine attempt to change the nuclear balance in the world as it has existed since the Soviet Union achieved strategic nuclear parity with the U.S. in the late 1960s.

Pravda says that Washington is trying to develop a system which will provide an anti-nuclear missile defence system which would allow the U.S. to launch a first strike without risk of counter-attack.

"They have clearly decided they have found a way of overtaking the other side militarily via the cosmos," the paper said.

At the moment, the Soviet Union does not seem to believe that a first strike is possible. Marshal Nikolai Ogarkov, the former Soviet Chief of Staff, derided the idea earlier this year.

"The trouble is that, given the quantity and diversity that has been achieved in nuclear missiles, it is becoming impossible to destroy them with a single strike against the enemy," he said.

This cuts across the Soviet claim that cruise and Pershing-II missiles could be deployed for a first strike. But Pravda argued yesterday that the new U.S. missiles, such as Midgetman, MX, Trident II and the Stealth bomber, would have a capacity for a first strike if an effective U.S. anti-missile system could be built in space.

The Soviet Union denies that the U.S. will be able to build such a system successfully. "If one side creates what it calls an impenetrable anti-missile system," the newspaper said, "the other will be forced to create strategic weaponry which would penetrate this shield."

Pravda also says that space weapons would be the central topic when Mr Andrei Gromyko, the Soviet Foreign Minister, and Mr George Shultz, U.S. Secretary of State, meet in Geneva next month.

France fears pressure over N-weapons

BY DAVID HOUSEGO IN PARIS

FEARS that France will come under increasing international pressure to have its nuclear weapons included in future East-West arms control negotiations are beginning to surface within the French administration.

French anxieties on this point emerged at the biennial meeting of the Franco-British Council at the weekend which discussed security issues for the first time.

The breaking of new ground was seen as reflecting the wish of both countries for a closer dialogue over defence to parallel the increasingly close bilateral contacts France has been developing with West Germany.

Britain and France are the only two nuclear powers in Europe but have remained at some distance from each other, in part because of the importance France has attached to the independence of its nuclear deterrent.

President François Mitterrand strongly resisted any attempt to include French nuclear weapons in the abortive negotiations last year between the U.S. and the Soviet Union on the reduction of intermediate range missiles.

He did so in part by insisting that the French nuclear force was a strategic one.

But the new arms talks expected to open in Geneva following the January meeting of Mr George Shultz, the U.S. Secretary of State and Mr Andrei Gromyko, the Soviet Foreign Minister, will cover both medium and long-range weapons.

The French view is that France is engaged in a major 10 year modernisation of its nuclear force including the building of new submarines and the deployment of new warheads.

It is not prepared to curtail this.

The Russians, however, as they have indicated to recent visitors to Moscow, insist that both British and French weapons should be counted within any future reductions.

French worries about being isolated in their position were partly confirmed by the disclosure at the conference that some members of the British Labour Cabinet of 1979 had been prepared to include Britain's Polaris force in future nuclear arms negotiations while seeking as well to include Britain in the Geneva talks — possibly as representing her European partners.

The present British Government takes the view that Britain's deterrent should be excluded from the negotiations. But the uncertainties over the Trident programme and the awareness that public pressure would build up in Britain for cuts if substantial reductions were agreed in the U.S. and Soviet systems, implies a greater readiness to put British weapons on the negotiating table.

Festive demos unlikely to ruffle Madrid

BY TOM BURNS IN MADRID

ANTI-NATO demonstrations that attracted tens of thousands over the weekend in Spain's principal cities are unlikely to rattle the Government of Sr Felipe Gonzalez which has pledged to hold a referendum on the Nato issue and wants Spaniards to remain within the alliance.

The Prime Minister has reason to be heartened by the course the domestic pacifist movement is taking.

Rallies in Madrid, Barcelona and Valencia were festive, carnival occasions in which young people in fancy dress danced to street bands and formed human chains in the manner of peace demonstrations elsewhere in Western Europe.

Instead of protesting against missile deployment, the Spanish slogans are "No to Nato", "Out with (U.S.) bases" and "Neutrality."

Three years ago, Sr Gonzalez, then opposition leader, addressed a crowd of nearly half a million at a massive rally in Madrid against the alliance sponsored jointly by the Socialist and Communist parties.

Spain duly became a Nato member in spring 1982 and Sr Gonzalez's Socialist Government, which won a landslide election victory six months later, is now preparing to honour a campaign pledge to stage a referendum on Nato membership.

Last October the Prime Minister announced in parliament that the plebiscite would be held at the beginning of 1986 and he admitted in public for the first time that he now favours Nato membership, albeit not as full partner of the military alliance.

The weekend rallies were not backed by the Socialist Party and received at best lukewarm endorsement from the Socialist trade union and the Socialist youth movement.

Leadership of the Spanish pacifist movement has passed to front organisations of the Communist Party (both the Euro-communist party and its pro-Soviet rival) and to fringe groups of assorted anarchists, Trotskyists, Marxist-Leninists and potential "Greens" in an uneasy political alliance.

The Prime Minister is confident that he can strike parliamentary bargains with the conservative opposition and with the moderate Catalan and Basque nationalists to present a united front over Nato in advance of the referendum.

His own Socialist Party is certain to give the Government the go-ahead to decide on defence policy as it sees fit when the party meets for it holds its congress later this month.

Sr Felipe Gonzalez, Prime Minister: reason to be heartened

Bosphorus Bridge shares 'sold out'

ISTANBUL. — Demand for shares in Istanbul's Bosphorus Bridge swamped supply soon after they went on sale yesterday—an encouraging sign for the Government's scheme to sell off public assets to ease its debts.

"We ran out of shares in half an hour this morning," said the manager of a business-district branch of Turkiye Is-Bankasi, which is handling the issue for the government.

State radio reported at midday that the full L10bn (£20m)—worth of shares had sold out.

Facing a 1985 budget deficit of L500bn (£1bn) the government earlier this year decided to sell stakes in Turkey's bridges, dams, highways and later in state businesses to help finance infrastructure projects.

The sale gives investors a stake in future bridge toll revenues. Reuter

Kyprianou for talks in Athens

BY ANDRIANA IERODIACONOU IN ATHENS

PRESIDENT Spyros Kyprianou of Cyprus will stop in Athens for 24 hours on Thursday for consultations with the Greek Government before returning to New York to resume critical UN-sponsored peace talks with Mr Rauf Denktash, the Turkish Cypriot leader.

Mr Kyprianou will be carrying back the Greek-Cypriot response to a new territorial offer by Mr Denktash, according to which th e18 per cent Turkish Cypriot minority would control just under 30 per cent of the territory of Cyprus in a future bi-zonal federal republic.

The third round of peace talks, which, ideally, is supposed to lead to a Kyprianou-Denktash summit to ratify a draft Cyprus settlement, was adjourned for 10 days last week, by the UN Secretary-General, Sr Javier Perez de Cuellar.

This was to allow the Cypriot President to consult with party leaders in Nicosia on the Turkish-Cypriot concessions.

In the first two rounds of talks, in September and October, Mr Denktash had limited territorial proposals to the return of not more than between 2 per cent and 3 per cent of the 37 per cent of Cyprus occupied by Turkish troops.

Government officials in Nicosia have been keeping a tight silence on the Greek-Cypriot response to the Turkish-Cypriot proposals.

The signs are, however, that the Greek-Cypriots view Mr Denktash's offer as a step forward in the negotiations for a settlement ,but feel that it is not a sufficient basis b yitself for a summit meeting.

When he gets to New York at the end of this week, Mr Kyprianou is expected to seek a breakthrough on the sharing of constitutional powers between the two Cypriot communities, which, beyond the territorial aspect, he feels to be essential before he can agree to meet the Turkish-Cypriot leader.

It is unclear whether the Turkish-Cypriot positions on the constitutional aspect have also changed, along with their positions on territory, n the third round of talks.

Round one and two were blocked among other things, by Turkish-Cypriot demands for an alternating presidential system and separate ethnic majorities in parliament for security issues.

Unconfirmed Greek press reports, however, now suggest that Mr Denktash is ready to give up the idea of a rotating presidency, but is demanding Turkish-Cypriot veto powers in parliament and in ministries.

Ministers set to boost Nato arms stocks

By Bridget Bloom, Defence Correspondent

NATO defence Ministers begin a series of meetings today designed to improve the alliance's ability to fight and to sustain a conventional war in Europe.

The highlight of the meetings is likely to be approval by the Defence Planning Committee (DPC) on Wednesday of a $7.8bn (£6.5bn) fund to upgrade Nato's military infrastructure over the next six years. Airfields, fuel pipelines, communications and ammunition stocks will all be improved.

The so-called infrastructure package has been put together under the leadership of Lord Carrington, Nato's new Secretary-General, mainly in response to U.S. Congressional criticism that European members are not pulling their full weight within the alliance.

Senator Sam Nunn, who has spearheaded the criticism, has argued that it is pointless for the U.S. to reinforce Europe with some 1,100 aircraft costing $50bn in time of war, if there are few facilities to service them and if Nato nations are likely to run out of ammunition after a few days.

Officials say the Carrington plan represents an increase of some 40 per cent in real terms over the previous programme, although the increase is less than originally demanded by Nato's military headquarters.

The infrastructure budget is one of the most contentious within Nato, even though it represents less than 1 per cent of overall Nato defence spending. The U.S. and West Germany, which together pay half, failed to agree on the size of the fund at the DPC last June.

The DPC includes all European Nato governments except Iceland, as well as the U.S. and Canada. It will be preceded this morning by a European ministers' meeting in the Eurogroup, under the chairmanship of Mr Michael Heseltine, Britain's Defence Secretary.

Warsaw Pact meets ahead of U.S. talks

By Leslie Colitt in Berlin

THE Foreign Ministers of the Soviet Union and its six Warsaw Pact allies met in East Berlin yesterday and continue talks today, to endorse Moscow's strategy before the resumption next month of Soviet-U.S. arms control talks.

Mr Andrei Gromyko, the Soviet Foreign Minister, who is due to meet Mr George Shultz, the U.S. Secretary of State, in Geneva next month, was expected to discuss the talks with his colleagues.

Moscow's allies have largely welcomed the forthcoming negotiations in the hope they will permit improved relations between Eastern and Western Europe and may lessen their own defence burden.

Herr Erich Honecker, East Germany's leader, was unable to make a planned trip to West Germany in September because Moscow did not want political contacts between East Berlin and Bonn when there were virtually none between the Russians and the U.S.

The East German and Hungarian leaderships in particular are eager for closer contacts with Western Europe

The Soviet Union, however, has unmistakably told its allies that the green light for such East-West contacts will not be given until Washington has demonstrated its "sincere desire" for progress in the entire "complex" of nuclear arms talks.

Taboo surrounding Transylvania's ethnic minorities

BY DAVID BUCHAN, RECENTLY IN TRANSYLVANIA

FRONTIERS in Eastern Europe do not, and probably never can, be made to coincide with the region's ethnic patchwork. Virtually every country has its minority problems and none more fraught than Romania's. The way in which this compounds the Bucharest Government's curious isolation from East and West became evident again this autumn.

In September, a high level Romanian delegation to Budapest was presented by the Hungarian Government with 12 pages of suggestions on how Romania could improve the lot of its nearly 2m ethnic Hungarians. A few weeks later, President Ceausescu found that his West German hosts in Bonn had put his treatment of Romania's 300,000 ethnic Germans awkwardly high on the agenda of their talks with him.

Since this was behind the scenes diplomacy, the Romanians reacted with what Bonn and Budapest characterised as aloof indifference. But at the recent public report by the Council of Europe calling Romania to task for its attitude towards its minorities, Bucharest becomes positively splenetic. "One thousand and one untruths" was the reaction of a senior Foreign Ministry official interviewed in Bucharest. He said that the Strasbourg assembly representatives were free to come and see the situation for themselves.

A certain surreality, however, confronts visitors to Transylvania, the large area of western-central Romania ringed by the Carpathians, where the minorities are most present. It has little to do with local legends of Vlad the Impaler, or with the 19th century time warp of a semi-forgotten part of Europe in which horse, buggy and sometimes water buffalo still reign.

Rather, it is the impression that Romanian officials (enthusiastic about disarmament) regard foreign inspection of their minorities in the same way other countries do that of military bases. It is also the contrast in the minority communities, between official spokesmen who are almost too blithe to be credible and the others who are almost too paranoid to be audible.

Yet there are gradations.

Romania, uniquely in the Soviet bloc, never broke relations with Israel and has allowed Jews to leave. There has always been a price. Money is the most consistent element in Romanian emigration policy, as reflected in the (currently unimplemented) 1982 education tax for would-be emigres. An ethnic German has to pay various go-betweens DM 8,000-10,000 (£2,160-2,700) to get the right papers to leave Romania. This is not an official tax. Bonn has complained to Bucharest several times about this, naming the middle men, some of whom have been arrested.

Ethnic German leaders have also urged their communities not to submit to this kind of blackmail, but to no avail.

In fact more Germans are leaving now: 15,700 last year and probably 16-17,000 this year. This is above the German community's birth rate and is probably the result of somewhat tougher pressure by the Kohl Government than its predecessor. On the oter hand, Germans from the East are not the godsend to te West German employer that they were in better economic days and Bonn would also like conditions in Romania to tempt more ethnic Germans to stay. Chancellor Kohl said after his talks with President Ceausescu last month: "I think we moved something." His planned trip to Bucharest next year will test that statement.

Romania's Hungarians lack the safety valve of emigration. Budapest wants they to stay put, on what it regards as historic Hungarian territory (until awarded to Romania in 1920) and to make the best of it.

The best of it, as Mr Gyula Fejes, secretary to the Hungarian Council in Bucharest points out, is that Hungarians have representation in the National Assembly, Government, Communist Party, trade unions, which reflects their 7.8 per cent share of Romania's 22m population. He also cites Hungarians as having 10 theatres, one opera, 32 journals and magazines, weekly television broadcasts and 10 hours a day of radio transmission.

Dr Andras Dancsuly, of the Babes-Bolyai University at Cluj, makes roughly the same point for the main Hungarian centre in Transylvania. But both admit that Hungarian culture has suffered, like all the humanities, from the Government's technical education drive. As a minority culture, Hungarian is the most vulnerable. Lack of adequate Hungarian language secondary schooling is considered the critical weakness for those who want to avoid total assimilation into the dominant Romanian culture. They say a culture follows its teenagers.

Growing economic differences is also stirring the sympathy of richer Hungarians for their poorer brethren in Romania. Romanian officials simply explain queues as the result of low prices, but two-mile lines of cars queueing for petrol can still be seen here, in Eastern Europe's only major oil producer. This, and a big 1982-83 cut in bus services which turned hitch-hiking into a staple form of transport, have made it harder for Hungarians to travel to Transylvania.

Mr Gaspar Miklos Tamas, expelled from omania and considered a dissident in Budapest for his outspoken comments on Transylvania, believes that the broader Hungarian community in Central Europe is now in danger of breaking up. Hungarians are being isolated in Transylvania and assimilated in Slovakia, he says.

The irony is that the Budapest authorities do not disagree with what he says, only with his saying it in public and embarrassing them with fellow Communist governments. That, however, did not stop them suggesting to Mr Tamas recently that he might like to quit Hungary. Transylvania really is taboo.

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Three die as Iraqis resume attacks on Iranian bound ships

BY RICHARD JOHNS

THREE crewmen were killed when the Cypriot owned supertanker, the 386-000 deadweight ton Minotaur, was hit yesterday in the first Iraqi attack on Iranian bound oil traffic for seven weeks.

The resumption of Gulf attacks attacks raises the possibility that the Iraqi Air Force is deploying an improved version of the Exocet missile which is believed to have been delivered by France recently. The Iraqis have also received at least eight Mirage F-1 EQ5 fighter aircraft capable of delivering them and with a combat range of over 800 miles.

The Minotaur was travelling with a crew of 27 in ballast 40 miles south of Kharg Island, the main Iranian oil terminal, when it was hit. In Baghdad a military spokesman said that Iraqi aircraft had hit a "large enemy target" in the area.

According to reports from Bahrain, the Minotaur's engine room was set on fire after it had been hit by a single missile at 08.35 gmt. Tugs were on their way to the stricken vessel.

The last confirmed Iraqi attack against shipping bound for Kharg Island was on the Iranian-owned 215,000 dwt Sivand on October 15. Iran retaliated with an assault on a diving support vessel off the coast of Qatar.

Until last year, ironically the Minotaur carried the Iraqi flag as the Shatt al Arab, one of the fleet of the Arab Maritime's Petroleum Transport Company.

Egypt introduces exchange rate to check pound's slide

BY TONY WALKER IN CAIRO

EGYPT HAS introduced an incentive exchange rate for its currency in an attempt to check the slide in the value of the Egyptian pound against the U.S. dollar and undercut the black market.

Egypt's four public sector commercial banks have been authorised to purchase dollars at a rate of 1.20 Egyptian pounds to the dollar. The rate is aimed at attracting remittances from Egyptian workers in the Gulf who have been ignoring the traditional banking system and dealing on the black market.

Mr Mohammed Nabil Ibrahim, chairman of Bank Misr, said yesterday the rate, the result of a "gentleman's agreement" between the public sector banks and the Government, was proving successful in attracting remittances. He predicted it would prove effective against black market currency dealers.

The Government has also authorised public sector banks to sell dollars for special requirements, such as the import of feedstock for factories, at a new floating rate. This week the rate is around E£1.27 to the dollar.

Egypt has a bewildering seven or eight exchange rate variations, ranging from E£0.40 to the U.S. dollar for some dealings with East Bloc countries to the black market E£1.32 to the dollar.

An incentive rate of E£1.12 to the dollar, introduced earlier this year, failed to attract funds of expatriate Egyptians. The black market rate has been about 10 per cent above that of the best official rate.

The Government in recent months has been severely criticised over the administration of exchange rate policy. Importers have complained of serious shortages of funds in the market to cover amounts outstanding on letters of credit.

The shortage of hard currency, at one stage, depressed the value of the Egyptian pound to an historic low of about E£1.45 to the dollar.

Mr Ibrahim described E£1.20 to the U.S. dollar as a "capturing rate" and said it would be flexible.

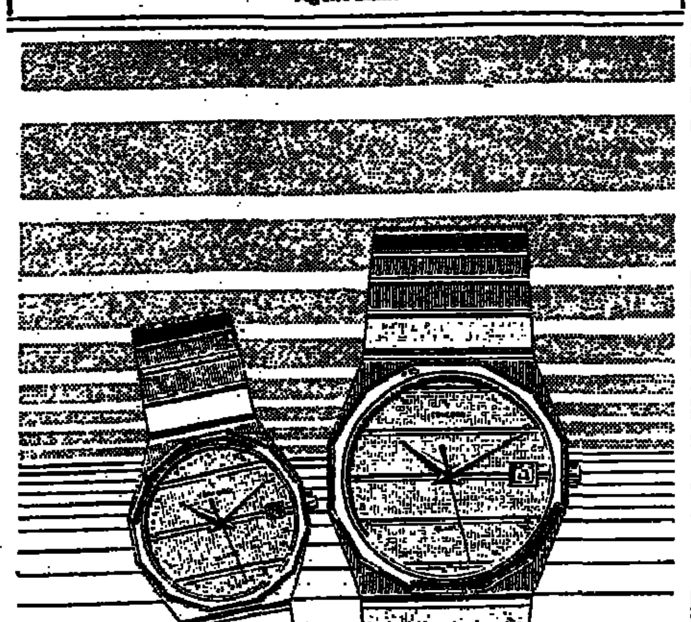
In the past several years, Egypt's booming black market has had an annual turnover of about US$4bn (£3.3bn).

NZ unions cut pay claims

THE FIRST national wage talks in New Zealand for two-and-a-half years began yesterday with two trade unions claiming the maximum Federation of Labour guideline of a 9.6 per cent increase, Reuter reports from Wellington.

In the face of government proposals to regulate against excessive wage increases, the meatworkers' union cut its claim for a 20 per cent rise and the drivers' union reduced its 15 per cent claim.

Mr David Lange, Prime Minister, said after talks with the Federation of Labour broke down last week that the Government would intervene to impose a pay increase of 4 to 5 per cent if wage settlements were too high.



INDIA DISASTER

Insecticide ingredient cause of tragedy

By Tony Jackson

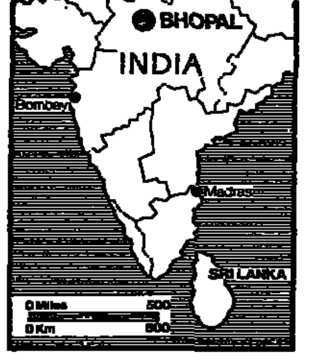
YESTERDAY'S disaster at Bhopal in India—in which a leakage from a chemical plant could cause, according to medical estimates, 600 deaths—was the most serious in many years to confront the chemical industry.

The plant is owned by Union Carbide, the third largest chemicals company in the U.S. The plant makes pesticides, its largest output consisting of a product called Sevin, which the company has been manufacturing since the 1960s. A key ingredient in its production is deadly methyl isocyanate (MIC).

The chemical, says Dr Peter Merriman of the UK's Chemical Industries' Association, has a safety threshold under UK regulations of 0.02 parts per million.

"At one part per million in the atmosphere," he says, "people's eyes will start to water—and by that stage there may already be a high enough concentration to cause serious internal damage."

No MIC is manufactured in the UK any longer. It appears that a small amount is still imported, in drums of up to 80 kg—a far smaller quantity



than was involved in the Bhopal disaster.

In addition, says Dr Merriman, MIC would never be stored underground in this country—as was the case at Bhopal—but in tanks surrounded by a brick sheathing which would trap any leakage.

In India, however, the decision to store underground may have had to do with temperature; MIC in its normal state is a liquid, but has a very low boiling point and is hence liable to potentially lethal *evaporation*.

At this stage, it is hard to assess how seriously Union Carbide will be affected by the disaster. Wall Street, certainly, was taking a gloomy view in early dealing yesterday, marking the shares down.

Sevin is an important product in worldwide use. In the 1960s DDT—an organo-chlorine product—came under strong environmental pressure on the grounds that it built up concentration through the food chain. Among replacement products Sevin— a *carbonate* generically known as carbaryl—has been highly successful since then.

In agrochemical terms, Sevin counts as a mature product. However, Union Carbide has been strongly placed in the world market since taking its large gamble by building a production plant in the U.S. 25 years ago.

With the exception of one Israeli company it remains the only producer of this type of insecticide in the world.

Anti terrorist squad sent to New Caledonia

By David Housego in Paris

FRANCE has sent members of its elite anti-terrorist squad, the GIGN, to New Caledonia to help restore law and order, according to Western diplomats.

The despatch of the anti-terrorist unit in addition to some 1,500 police and gendamerie in recent weeks is the clearest indication yet that President Mitterrand is giving first priority to ending the violence on the island.

Although the territory was quiet yesterday in anticipation of the revival today of M Edgard Pisani, the newly appointed commissioner, separatist leaders said they intended to maintain roadblocks which have cut off parts of the country.

This defiance of the Government's authority comes after continuing violence since the elections on November 18 which gave the loyalist political parties a majority in the National Assembly.

The GIGN's role will be to see how government control can be reasserted throughout the territory before serious negotiations begin about its future.

The Government has been embarrassed by the nightly pictures on French television of *Melanesian separatists flouting* French forces and by former President Giscard d'Estaing's accusation in the National Assembly last week that the Government's credibility in maintaining law and order was being undermined.

Stephanie Gray looks at fears over implications of New Zealand's nuclear warship ban

Wellington rocks the U.S. security boat

THE declaration of a ban by New Zealand's new Labour Government on visits by U.S. nuclear propelled or armed warships could seriously impair the effectiveness of its tripartite defence treaty (Anzus) with the U.S. and Australia.

That at least is the view in Washington which, for obvious reasons is not about to declare which of the 12 to 14 vessels which visit each year carries nuclear weapons.

Mr George Shultz, the U.S. Secretary of State, said shortly after the Labour Party took power in July that "for an alliance to mean anything, it has to be possible for the military forces of the respective countries to be able to interact together. Otherwise it's not much of an alliance."

Other than such general comments, however, Mr Shultz and other U.S. officials are loath to speculate about future security alignment for fear that such talk might be counter-productive. The hope is that quiet diplomacy will win the day and pragmatism will prevail over what is seen as the ideological excitement of a party that has been in opposition for more than eight years.

After the last Anzus council meeting, Mr Shultz would go no further than to agree with Mr Bill Hayden, the Australian Foreign Minister, that if the Anzus treaty became ineffective, bilateral security arrangements with Canberra might be contemplated.

The ban does not amount to a withdrawal from Anzus, despite such demands by Labour's left wing.

The country's location renders it of strategic value to the U.S. Its fleet of P3 Orion aircraft carry out surveillance and reconnaissance of 1.4m square miles of the vast Pacific where, in the past few years, there has been a significant increase of Soviet naval strength.

The Pentagon has confirmed that between 20 and 26 surface ships and four to six submarines are based in Cam Ranh Bay, and it is believed the Russians are now capable of *sustaining a permanent naval* presence in both the Indian and Pacific Oceans.

The build-up has been made possible by the deepening of the harbour at Cam Ranh Bay in Vietnam—work, ironically started by the U.S.

If there was any doubt about the seriousness of Moscow's naval intentions, U.S. officials point *to* a satellite photograph published recently in Jane's Defence Weekly of the 75,000 tonne Soviet nuclear aircraft carrier under construction at a Black Sea shipyard.

"We have no doubt that they (the Russians) have plans to use it," one of them said last week.

At the same time, Wellington is the Soviet Union's South Pacific diplomatic headquarters, Canberra's relations with Moscow having never fully recovered from an incident in *1954 when the wife of a* KGB defector was dragged off an aircraft at Perth once it had been discovered that she was being forcibly removed.

For all these reasons, including the presence of a huge Soviet fishing fleet in the area, New Zealand has become, in the words of one U.S. diplomat, "a prime security interest of the U.S."

The Anzus pact, which dates back to 1951, was conceived as a continuation of the wartime partnership against Japan. Indeed it was the price the U.S. had to pay for Australia's signature to the peace agreement with Japan.

A somewhat broadly worded document, it has never been adjusted to accommodate the perceived threat of first Chinese and later Soviet communism.

Its flexibility, according to Australian and New Zealand officials, is its beauty. If it had not been so loosely drawn, they say, the early withdrawal of both countries' troops from Vietnam might have shattered the pact.

The treaty obliges the partners to consult with each other should any one of them, or any of their Pacific interests, be threatened. An attack on any partner will be answered by all three. "The treaty continues in force indefinitely."

Foreign Ministers of the three meet once a year but military exercises take place frequently and there is a significant exchange of intelligence.

Unlike Nato, Anzus has no integrated military command and no multinational headquarters. The U.S. has no permanent military bases in either Australia or New Zealand. It does, however, have three major joint classified facilities in Australia — under a separate treaty which have been the subjectof much public controversy. Two of them are believed to be engaged in monitoring nuclear non-proliferation pacts with information gathered from satellites orbiting over the Soviet Union. The third relays messages to U.S. submarines in the Indian Ocean.

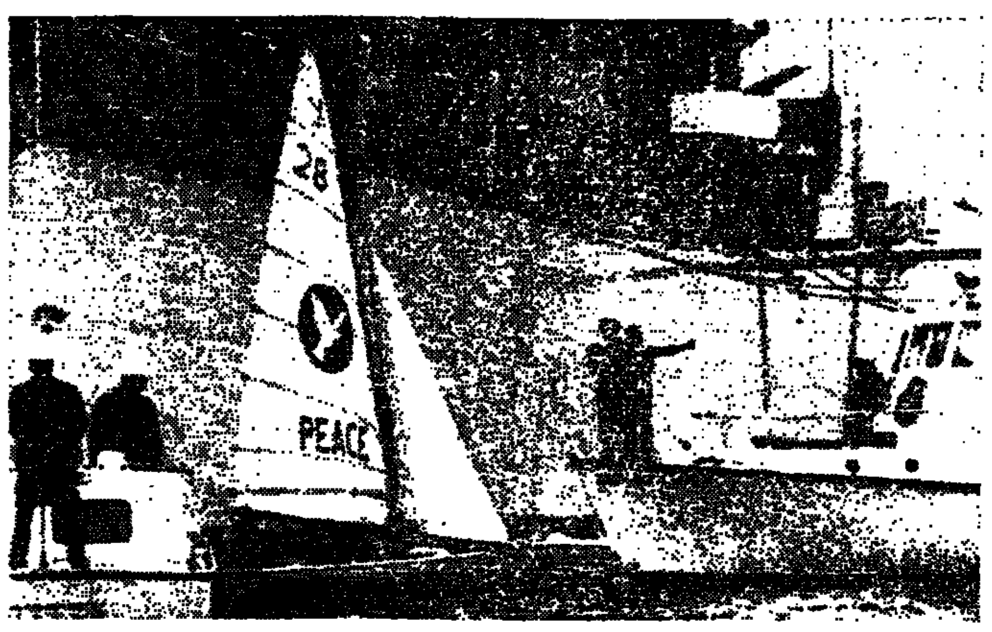
It is not, of course, anti-Americanism that was behind the new Government's defence policy. Neither was it pressure by the U.S. *to extend its military* presence in New Zealand.

Anti-nuclear feeling runs high in most of the South Pacific, largely as a reaction to French nuclear weapons testing at Mururoa atoll near Tahati. Small radioactive fall-out has been measured occasionally in some New Zealand milk production.

Washington fears that New Zealand's policy might produce a knock-on effect in the region. Australia's Labor Government might succumb to pressure from *its own Left-wing* and fervent anti-nuclear sentiment in Japan, might be provoked on an unprecedented scale.

While, in theory, Japan already enjoys the nuclear-weapon-free status that New Zealand seeks, huge American aircraft carriers and nuclear-powered submarines visit Japanese ports regularly

The U.S. is hopeful that it will be able to come to some sort of arrangement with Wellington whereby the issue will be fudged. It has, after all, had similar problems in Denmark. Hint of a change in policy might be detected later this month when the U.S. is due to present a schedule of ship visits which the Government may accept or reject.



A police launch warns away a protest ship fromthe nuclear-powered USS Truxton visiting Wellington. Anti-nuclear feeling runs high in New Zealand

AMERICAN NEWS

Treasury spells out U.S. tax reform details

BY STEWART FLEMING IN WASHINGTON

THE U.S. Treasury yesterday released the second volume of its plans for a major reform of the U.S. tax system. The proposals come amid mounting controversy about the importance which should be attached to tax reform at a time when there is widespread agreement that cutting the federal budget deficit is widely accepted as Washington's top priority.

The Treasury's tax reforms have been designed to be revenue-neutral, that is not to raise additional tax revenues.

The proposals put out by the Treasury yesterday spell out in greater detail the radical reforms of both corporate and personal taxation which Treasury Secretary Mr Donald Regan is recommending. But doubts remain also as to whether, as Mr Regan believes, business will begin to look with a less jaundiced eye at the Treasury plans when they have digested more of its small print.

Some of the key topics addressed include, for example, Mr Regan's proposals for reducing the double taxation of corporate dividends first through corporation tax and then as dividend income in the hands of the investor.

To tackle the distortions in corporate financing and investment policies which the Treasury says arises from the present system, it is proposing to allow domestic U.S. companies to deduct from their taxable income a sum equivalent to 50 per cent of the dividends paid to their shareholders.

But to ensure that this concession is not exploited it is suggested that the 50 per cent allowance would only apply to income which is actually taxed at the corporate level.

The second volume of the Treasury study also spells out how the Treasury envisages implementing the wholesale indexing of the corporate sector which it is recommending.

Its proposal announced last week to repeal the generous Accelerated Cost Recovery System (ACRS) introduced in 1981 in order to allow more generous depreciation write-offs has already provoked a storm of opposition from parts of the corporate sector.

The Treasury has now made it clear that it envisages replacing ACRS with what it calls a new Real Cost Recovery System, which would allow companies to base their depreciation on the inflation adjusted cost of business assets rather than on the original nominal cost. The aim, the Treasury says, would be to try and base depreciation on the estimated decline in the economic value of an asset.

Turnout high in Grenada election

By Canute James in St Georges, Grenada

OFFICIALS FROM Grenada's electoral office and representatives of the main political parties reported a high turnout of voters in yesterday's election on the island, the first in eight years.

Early estimates indicated that about 75 per cent of the 47,000 registered voters had cast ballots to elect a government. The voting took place in the wake of a U.S. invasion 14 months ago. The invasion toppled a junta which had taken power after a coup in which Mr Maurice Bishop, the Prime Minister and several of his cabinet colleagues were murdered.

There was a strong police presence at voting stations yesterday, but the electoral office reported no incidents.

The 500 U.S. and Caribbean troops which have been keeping order on the island were confined to barracks.

The heavy turnout is expected to benefit the front running New National Party, (NNP) a coalition of moderate parties which is being backed by the U.S.

The NNP's main competition is the United Labour Party of Sir Eric Gairy, a former prime minister whose administration was overthrown in 1979 in a bloodless coup by Mr Bishop's New Jewel Movement.

Peter Montagnon reports on how Buenos Aires hopes to secure its debt rescue plan

Argentina rushes to meet Christmas deadline

COUNTING the days till Christmas has taken on a new meaning in the international banking community as Argentina and her top creditor bankers rush to meet an end-year deadline for implementing the $20bn debt rescue package agreed on Sunday night.

A mammoth marketing effort has already started as full details of the package, which includes fresh loans of $4.2bn and a rescheduling of $14.5bn in foreign debt, were dispatched by courier yesterday to more than 300 creditor banks worldwide.

This is to be followed up by a world tour of top Argentine officials who will seek support for the package. The tour is likely to start in the U.S. at the end of this week and take in Japan as well as Europe. British bank creditors are to be invited to a presentation in Zurich, probably next Monday.

Mr William Rhodes, the senior Citibank executive who chairs the banks' negotiating committee with Argentina, said it is critically important that a favourable response be received to the package by Christmas.

This would pave the way for the International Monetary Fund board to approve before year-end the release of the $1.4bn it has promised Argentina and put its $45bn debt on a much sounder footing before creditor banks have to start drawing up their accounts for 1984.

But none of the senior bankers who have just spent nearly three weeks in New York thrashing out the details of the most complicated rescheduling package yet are under any illusion that the task of winning broad creditor support will be easy. The market for Argentine loans has been soured by many months of intransigence at the negotiating table and interest payment arrears amounting to hundreds of millions of dollars.

Argentina and its top bank creditors now face to persuade even the most obdurate of small bank executives that the situation has changed since the despair of last summer when it seemed that the government of President Raul Alfonsin would never move to sort out its economic problems.

Senior bankers believe that one important card in this will be the money they have managed to win from Argentina as "an up-front payment for the package." Argentina is to pay at least $750m in interest arrears by year-end and a further $750m in the first quarter of next year. This latter payment makes up the balance of a $1.4bn bridging loan arranged in 1982 which has so far not been repaid.

Under the deal all interest arrears are to be cleared by next June. Provided initial response to the package is positive, bankers believe the U.S. government agencies responsible for regulating the banking system may decide as early as next month to lift their damaging "sub-standard" classification of Argentine debt.

Main details of the package agreed late on Sunday night are:

● The provision by banks of new loans totalling $4.2bn or 16½ per cent of their existing exposure to Argentina. The loans would comprise a $3.7bn, ten year loan bearing interest at a margin of 1¼ per cent over Eurocurrency rates or 1¼ per cent over U.S. prime as well as a $500m short term trade credit facility with a maturity of four years.

● Rescheduling of $9.9bn in public sector debt with debt falling due in 1984 and 1985 rescheduled for 12 years and that due since 1982 and 1983 rescheduled over ten years. The interest margin will be 1½ per cent over Eurocurrency rates.

● Rescheduling for ten years of $3.5bn in private sector debt maturing this year and next with the same interest margin as for the public sector. Separately Argentina has promised to complete by December 15 the process of converting private sector debt due in 1982-83 into Government guaranteed debt backed by the issue of promissory notes.

● Banks are also asked to maintain their money market lines to Argentine banks at the level outstanding on September 30 with a similar agreement to maintain existing levels of short term trade financing.

Bankers say that the details of the package now being sent to all creditors will contain an endorsement by M Jacques de Larosière, Managing Director of the International Monetary Fund who remains confident that Argentina is sticking to the terms of its economic stabilisation programme worked out with the Fund last September.

Support from the IMF as well as from top U.S. officials is designed to help swing the international banking community behind the programme. The U.S. is to turn this support into action with the provision of a $500m bridging loan, while the bank package is expected to be complemented by loans from governments and official agencies totalling around $1bn.

The IMF will separately provide a further $270m from its Compensatory Financing Facility.

If it works, the package will mean that the last major debtor in Latin America will have concluded an agreement to put its international debt on an even keel. In the short run Argentina could expect to draw some $2bn from its new loan facilities as soon as late February.

It will also mean that its IMF programme can be officially approved before the year-end without which Argentina would forfeit $100m in IMF money under revised loan ceilings for member countries due to enter force next year.

As in the recent Mexican rescheduling deal creditor banks are to receive limited authorisation to switch their loans into their own domestic currencies when the debt is rescheduled. There will also be a very limited option for them to choose which state entity should benefit from the new money loans they are making available.

It was technical details such as these which kept the negotiations going throughout last weekend carrying the final announcement beyond the end-November deadline that had previously been set by the banks. But the 11-bank negotiating committee was adamant in seeking a water tight package that would have the best chance of success in a still rather sceptical world.

Argentina Debt

	1982 1st half	1982 2nd half	1983 1st half	1983 2nd half	1984 1st half
Bank loans outstanding	24,836	25,305	25,681	25,451	25,852
Interest due to banks	2,241	2,145	1,670	1,396	1,508
Foreign exchange reserves	2,586	2,282	2,406	3,169	1,172

Source: American Express Bank

Michel re-elected to lead Republicans in House

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

REPUBLICANS in the House of Representatives yesterday unanimously re-elected Mr Bob Michel of Illinois to be their leader in the new Congress that convenes in January.

With the Democratic majority expected to re-elect Mr Tip O'Neill of Massachusetts as house speaker later in the day, the leadership ranks of both parties in the huose looked likely to remain largely unchanged.

Mr Michel said that while the Democrats would have a 243 to 182 majority on the new Congress, Republican voting would help to restore the coalition with right-wing Democrats that gave President Ronald Reagan a string of spectacular budget and tax victories in the House in his first two years of office.

Discord is precisely what the Democrats have been trying to avoid in the weeks since the November 6 elections, as different congressional groups have expressed unhappiness with Mr O'Neill's leadership.

Mr O'Neill met Mr Charles Stenholm, a Texas conservative, at the end of last week in the hope of dissuading him from mounting a symbolic challenge

U.S. heads for 'slower growth'

THE U.S. ECONOMY will return to moderate economic growth in the spring or summer of 1985 and is not heading towards a recession, a survey by the National Association of Business Economists said, Reuter reports from Washington.

The survey of 250 economists conducted in the second week of November showed that they expected real growth of 3.3 per cent between the fourth quarter of 1984 and the fourth quarter of 1985. This compared with 5.7 per cent growth in real GNP from fourth quarter 1983 to the fourth quarter 1984.

Brazil to reform public finances

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL IS on the brink of the most far-reaching reform of its public finances for over 20 years—changes which will drastically reduce the scope the Government has had until now to interfere at will in their administration.

According to the Finance Ministry, the three main purposes of the reform are: the creation of a single unified budget, the unification of the Treasury's resources and the provision of instruments to control more adequately the public deficit.

This will be achieved by disentangling the often overlapping activities of the central bank and the state-owned Banco do Brasil, the Government's principal credit and collecting agency; eliminating the so-called "monetary budget"; and restoring control over public debt to the Finance Ministry.

The final draft of the outgoing Figueiredo Government's proposals was published at the end of last week, and will be presented to the National Monetary Council—the country's top economic policy-making body—for its expected approval on December 19.

As presently envisaged, the changes will be introduced by administrative decree and will not be submitted to Congress for either a full debate or its consent. Implementation will be in stages, commencing on January 1 1985.

Opposition politicians, likely to be in power next year when a civilian government takes over in March, have been highly critical of the proposals. They claim the plan will severely limit the new Government's room for manoeuvre in the face of what will undoubtedly be a difficult economic situation.

Other critics say the plan has serious technical weaknesses which could undermine its effectiveness. Several gaping loopholes in control over public expenditure have been left, notably the proposal to exclude from its scope, the Previdencia Social—the state's social welfare and insurance system.

Labour unrest threat to British Columbia

BY BERNARD SIMON IN TORONTO

A NEW WAVE of labour unrest is threatening to disrupt the economy of British Columbia, Canada's westerly province.

BC Rail, the provincial railway company, is to lock out 1,800 workers next Monday after failing to win union approval for plans to cut the size of train and marshalling yard crews. The lock out is expected to disrupt shipments of coal, lumber and other forest products.

British Columbia supplies about a quarter of the U.S.'s lumber needs, and is a major supplier of coal to Japan and the Far East. North American lumber prices have moved up in recent weeks in anticipation of the lock out.

Tensions in other sectors are expected to rise following last week's replacement of moderates by more militant unionists on the executive of the 250,000-member British Columbia Federation of Labour. The Federation's new leaders, mainly from public sector unions, have pledged to fight for greater influence in social policy issues and government decisions.

British Columbia is among the most unionised and strike prone areas of North America, but the labour movement has been weakened in the past two years by a protracted recession.

WORLD TRADE NEWS

Metallgesellschaft-Dreyfus link

BY JOHN DAVIES IN FRANKFURT

METALLGESELLSCHAFT, the West German company which has been rapidly building up countertrade business around the world, is joining forces with Louis Dreyfus, the privately owned French agricultural trading group.

The move closely follows a link between Metallgesellschaft and First Boston Corporation, the U.S. investment bank active in project financing. Both steps highlight the increasing importance of countertrade in international business—especially with developing countries and Eastern Europe—as a means of overcoming payments problems.

Metallgesellschaft and Dreyfus are setting up a joint company based in New York, with each holding a 50 per cent stake, to pool their resources in countertrade.

The new MG Services Company will take over the business until now handled by Metallgesellschaft's wholly-owned New York-based countertrade subsidiary, MG Services Inc.

The Dreyfus connection will enable the countertrade organisers to widen the range of possible swaps in goods to include many soft commodities.

Metallgesellschaft, with group sales of DM 10bn ($3.2bn) a year, is one of West Germany's largest industrial companies, involved in metals processing, mining, chemicals, engineering and trading.

It is reputed to have built up a countertrade business volume of about $700m to $800m a year.

France hit by decline in turnkey contracts

By David Housego in Paris

THE VOLUME of large capital goods contracts being won abroad by French industry is sharply declining with potentially adverse consequences for France's trade balance in the coming years.

Figures issued yesterday by the Ministry of Industrial Redeployment show that last year's downward slide in the volume of contracts, placed mainly by developing and oil producing countries, has continued through the first three quarters of this year.

Two years ago capital goods contracts ranging from turnkey cement plants to civil engineering projects in the Middle East accounted for some 10 per cent of French exports. Awareness that the market was decreasing because of the financial difficulties of developing and East European countries has resulted in a shift of emphasis in France's export strategy towards the sale of intermediate and consumer goods in industrialised countries.

According to the ministry, capital goods for the first nine months totalled FFr 37bn (£3.2bn) meaning that the total for the year is likely to be less than FFr 50bn. Last year France won capital goods contracts of FFr 55bn which was just over half the FFr 94bn won in 1982 and the FFr 90bn in 1981.

The ministry confirms that the decline in orders is occurring faster this year than last in part because last year the volume of contracts was boosted by some FFr20bn of orders from Algeria as a result of barter arrangements involving France's purchase of Algerian gas.

Of the FFr 9.7bn of contracts won in the third quarter, more than FFr 1bn each came from Iraq, Algeria, Brazil and Comecon countries.

The impact on the balance of payments of the decline in orders this year and last will still take several months to filter through.

The diminishing number of orders for turnkey projects placed by developing countries has caused anguish in French industry in recent days. M. G. L. de Buffevent, chairman of Spie-Batignolles, the engineering group, said competition was "very, very tough."

W. African oil output likely to rise

BY MICHAEL HOLMAN, AFRICA CORRESPONDENT

SIX WEST African countries (not including Nigeria) are expected substantially to increase their oil output this decade and the group offers attractive investment terms in the sector itself with associated trading opportunities, according to a major 630-page risk analysis*.

The analysis, published by Petroconsultants of Geneva, covers Angola, Cameroon, Congo, Equatorial Guinea, Gabon and Zaire. Equatorial Guinea is not yet a producer, but is expected to become one by the end of the decade.

The major producer in the group is Angola. Production should reach at least 550,000 barrels a day by 1991, and annual investment in the sector will exceed $550m.

Remaining recoverable reserves of the six countries exceed 2.8bn barrels, says the report, 91 per cent located off-shore. Daily production by the six reached 557,000 b/d at the end of 1983, 11.5 per cent up on 1982. Only Gabon among the six is an Opec member (with a marginal 150,000 b/d quota).

Overall exploration and development of the six's oil sector will comfortably exceed the level of activity in Nigeria, the leading West African producer (currently 1.6m b/d), says the report. Projected output from the group by 1991 is put at 1.02m b/d.

Of the 190 exploratory wells forecast for sub-Saharan Africa in 1991, 78 per cent will be in the countries covered by the report, up from 63 per cent in 1981.

The region's potential is attracting increasing numbers of companies (112 held acreage rights in 1984) with rising investment commitments. Currently seven companies (Elf, Gulf, Agip, Shell-Pectan, Texaco and Petrofina) produce 90 per cent of output.

Average finding costs per barrel ($0.50 in 1984) compare well with competitive areas and rates of return are generally superior to Nigeria which imposes tougher fiscal terms.

*Petroconsultants SA, 8-10 Rue Muzy, 1211 Geneva 6, Switzerland. Tel: (22) 268311. Price: SwFr 9,500.

South Koreans set to build $400m refinery

BY STEVEN B. BUTLER IN SEOUL

THE Kukdong Oil Company will break ground early next year on a 60,000-barrels-per-day refinery designed to satisfy South Korea's growing appetite for middle and light petroleum distillates.

The project, expected to cost over $400m but less than the original $500m projected, will be the first of its kind in Korea. The refinery will include a hydrocracking unit capable of upgrading 34,00 barrels per day of heavy fuel oils into gasoline, naphtha, diesel fuel, and kerosene.

Badger Engineering of the U.S. is expected to complete design work by next May at which time Kukdong will approach vendors for the refinery's equipment.

Mr Chang Hong-sun, president of Kukdong, which is partly owned by the Hyundai conglomerate, says he expects to purchase $85m of equipment in the U.S. and £115m of equipment divided between Japanese and European suppliers, depending on price and quality, delivery and financing terms.

British trade officials said some $50m of this business could go to UK companies "providing they get their act together."

The company has already arranged for $85m of long-term financing through the U.S. Export-Import Bank at 10.7 per cent interest rate. Further long-term finance is to be arranged by the Japanese and Europeans to support their companies' bids to win supply contracts.

Chase Manhattan (Asia), which has an agreement to act as the project's overall financial advisor, has assigned Samuel Montague, the British merchant bank, to co-ordinate and arrange European export credits.

The South Korean Government has recently encouraged the conversion of power generators and cement plants to use liquefied natural gas (LNG) or coal. As a result demand for heavy fuel oils is declining.

Kukdong's refinery is also designed to diversify Korea's oil purchases away from the Middle East and to use less expensive heavy crudes such as Indonesian, Mexican, Egyptian or Chinese.

Korean refineries are understood to have purchased Chinese oil on the spot market. The two countries have no diplomatic ties but it is expected that as a result of current bilateral trade talks between South and North Korea, China and South Korea may be able to trade directly.

ECGD exchange risk cost rises

BY CHRISTIAN TYLER, TRADE EDITOR

THE BRITISH Government has moved to contain losses on one of its export support programmes for heavy engineering contractors.

The cost of insurance provided by the Export Credits Guarantee Department for exchange rate risks incurred by contractors tendering in foreign currencies for overseas projects is to be increased. Since the ECGD's "tender-to-contract" insurance scheme was introduced in 1977, it has made a cumulative loss of around £70m.

Industry and the banks were told yesterday that the initial premium will be 0.1 per cent of the sterling amount for which cover is required, instead of a flat-rate charge of £5,000. There will be extra charges of 10 per cent where more than one currency is covered, and for renewals. The minimum value of eligible contracts is being raised from £5 to £10m.

But to appease the heavy industry lobby—the dozen or so big UK contractors—their front-end share of the risk is being reduced from 1½ to 1 per cent, and the scheme is being widened to include Swiss francs and Canadian dollars as well as U.S. dollars, Deutschemarks and yen.

The ECGD would have liked to abolish the scheme entirely, now that the banks are offering a much wider range of exchange rate hedging facilities themselves. Instead, it will start reviewing the new arrangements next spring. Whatever the outcome, the new scheme is likely to remain in force for at least a year.

Meanwhile, the Department is expected to announce soon the modification or abolition of another loss-making facility, the insurance of trade involving UK companies, but conducted entirely outside the UK.

Yesterday's announcement comes at a time of unprecedented losses for the ECGD and coincides with a rearguard action by big exporters who fear the Treasury is seeking to cut back on British export subsidies of all kinds.

The tender-to-contract scheme has a current exposure of £3bn on some 80 UK tenders for overseas project. Since it began, it has covered 62 firm contracts worth over £1.5bn.

Although industrialists complained that higher charges would make them internationally less competitive, they preferred to pay a larger premium and take a smaller front-end risk than see the scheme abolished altogether.

Grain exports, Page 32

Ship orders pick up

By Andrew Fisher, Shipping Correspondent

THE WORLD shipbuilding order book picked up slightly in the third quarter, but remained below the level of the first three months, with only Japan, South Korea and Taiwan showing major gains in new business, said Lloyd's Register of Shipping.

At the end of September, the order book stood at 31.4m gross tons against 31.2m in the second quarter. The total order figure has not exceeded 35m tons since the end of 1981.

Japan's order book was up by 757,000 tons in the third quarter to 14.3m, with South Korea's 454,400 tons higher at 5.5m tons. Taiwan was up 147,000 tons to 345,000.

Only a handful of European countries showed gains, namely Denmark, West Germany, Finland and the Netherlands. But all their increases were below 100,000 tons.

Record profit for BA ahead of privatisation

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS, "on target" in the approach to privatisation next February, earned record pre-tax profits of £189m in the six months to September 30, a rise of £39m, or 26 per cent, over the £150m pre-tax profit in the same period of 1983.

Lord King, chairman, announcing this result yesterday, said it was due to increased traffic, tight cost controls and greater efficiency. "We have fulfilled the Government's requirement of making the airline profitable before privatisation next spring," he said.

The half-year result compares with pre-tax profits for the full year to last March 31 of £185m. The airline has been profitable since the heavy loss of more than £100m on its operating account in 1980-81.

Lord King was guarded in his comments on the forthcoming privatisation, although he said later in a radio interview that he thought the objective would be to raise "something in excess of £1bn."

He stressed the prospectus and other aspects of the projected privatisation were still under discussion. Matters such as the proposed debt/equity ratio of the airline had not yet been determined, and no decisions had been taken on capital restructuring.

Commenting on the accounts, Lord King said the improvement stemmed mainly from an increase of 11.4 per cent in scheduled passenger traffic in the half-year. Cargo, mail and charters were also buoyant.

The airline's growing track record of profitability was helping it to bring down its debt to overseas banks on loans primarily incurred for aircraft re-equipment, although some of the money had also been borrowed in the past for general purposes.

When he took over the airline three years ago, the bank debt amounted to over £1.2bn. It had now been reduced to £770m.

The airline had actually repaid in the half-year a sum of £204m, but because of the fall in the value of sterling against the U.S. dollar the sterling equivalent of the loans had been raised by £73m. The result was that the total outstanding bank borrowings declined by only a net £131m from £901m to £770m.

The unaudited accounts show that the airline's turnover for the six months April-September, amounted to more than £1.57bn, compared with more than £1.39bn a year earlier.

The operating surplus amounted to £236m against £198m. Interest accounted for £48m, against £54m.

Neither Lord King nor Mr Colin Marshall, chief executive, would be drawn on the outlook for the full year. Mr Marshall said only that customarily the second half of any financial year for the airline was not as good as the first half, because of lower winter traffic and revenues.

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More credit advanced

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

CONSUMER CREDIT business recovered sharply in October after two months of decline, according to figures from the Department of Trade and Industry.

New hire purchase and other credit advanced to consumers rose by 15½ per cent from September to October, to just over £1bn.

This brought the total of consumer credit outstanding to a record £16.08bn at the end of October, about 20 per cent more than at the end of September.

Consumer credit has been increasing fast in the 2½ years since hire purchase restrictions were lifted in summer 1982.

The rapid build up of consumers' debt was a factor behind the consumer boom, which in turn underpinned the general economic recovery of the last two years.

In late summer and early autumn there were signs that the pace of new lending to consumers might be easing. The October figure casts doubt on that idea.

Luxembourg bars way to pit union funds

BY PAUL CHEESERIGHT IN LUXEMBOURG

MR HERBERT BREWER yesterday tried to open the door to £4.63m but found it locked.

Mr Brewer, appointed by the High Court in London as receiver of the National Union of Mineworkers (NUM), remains the controller of funds to which he has not yet found a means of gaining access.

He was trying to persuade Nobis-Finanz International, a Luxembourg subsidiary of West Germany's Industriebank International that he really is the owner of funds deposited abroad by the NUM to avoid sequestration by the High Court after the union's failure to pay a £200,000 fine for contempt.

He did not have a promising start. When he arrived at Nobis, promptly at 8.30am, its officials refused to let him in. He was not alone. Workmen were also turned away, as Nobis shied away from the British invasion.

So Mr Brewer, accompanied by Mr Brian Larkins, one of the four Price Waterhouse partners appointed by the court as sequestrator of NUM funds, spent most of the day in a Luxembourg lawyers' office.

There they had to come to terms with last week's decision by a Luxembourg court, which agreed to unfreeze the NUM money on the grounds that Luxembourg does not automatically follow British court decisions.

In the light of that decision, Nobis, a little-known financial house established about a year ago, was naturally cautious about handing over millions to a British court officer.

Mr Brewer emerged tight-lipped from his day of contacts with Nobis.

A statement later said that talks were continuing. Mr Brewer, a solicitor, made it clear that in his view everything would have been much easier had he simply been left alone.

To the crowd of journalists who were adding an unexpected bustle to the streets of this quiet banking city, he snapped: "I'm an officer of the court, answerable to the court. I'm damned if I'm going to answer to you people."

It was par for the course. Luxembourg thrives on discretion. Inquiries about hot money meet a cold shoulder. So Mr Brewer went to bed last night as the court-appointed millionaire without any millions.

Law may frustrate receiver

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE APPARENTLY inconclusive activity in Luxembourg yesterday suggests that speculation has been premature that the appointment of a receiver for the National Union of Mineworkers (NUM) has meant the end of its resistance to seizure of its assets.

The view being expressed was that Mr Herbert Brewer, the solicitor appointed by the High Court as receiver, had only to go to Nobis-Finanz International in Luxembourg, armed with his court authority, and collect the £4.63m in dollar bearer bonds being held on behalf of the union.

What was overlooked was the possibility that the intervention of foreign lawyers and courts might enable the NUM to retain for a while longer the £8m or so that it transferred abroad to avoid sequestration of its assets.

Last week, when despite opposition from the sequestrators – four partners in Price Waterhouse – a Luxembourg judge granted the union's application to lift the sequestrators' freezing order on all but £250,000 of the £4.63m, he said Luxembourg courts did not enforce foreign court orders.

Next week there is likely to be an argument in the High Court in Dublin, where the sequestrators have frozen another £2.73m in Bank of Ireland Finance, that Irish courts will not enforce English court decisions imposing fines or other legal sanctions.

A Swiss court has yet to rule on the sequestrators' plea for an order freezing £503,000 of NUM money in EBC (Schweiz), a Zurich bank.

The thinking behind the move for a receiver was that he would carry more clout abroad than sequestrators – the process of receivership being more familiar than sequestration in foreign jurisdictions.

The receiver could claim that he was the only person entitled to represent the union and operate its bank accounts, he having replaced the union's trustees.

The Luxembourg court, however, may take the view that an order appointing a receiver is as unenforceable in the Grand Duchy as one appointing sequestrators.

The fact that a receiver has in effect, been appointed for precisely the same reason as were the sequestrators – to enforce a penal order for contempt of court – may persuade the High Court in Dublin next week that he has no more right than the sequestrators to get Irish judicial support in carrying out his task.

The Dublin court may find itself faced with two sets of lawyers, each claiming to represent the union: those already instructed by the NUM and those who will almost certainly be instructed by Mr Brewer.

It was predictable that Nobis-Finanz would prove reluctant to hand over the £4.63m to Mr Brewer without further ado.

It was known that the bank was consulting its lawyers about what to do if the union instructed it to transfer the funds, following their unfreezing. It was therefore only to be expected that it would want at least to get legal advice.

If Mr Brewer – who was chosen for the task by the working miners and their lawyers, not by the court itself – finds himself enmeshed with foreign court proceedings, the NUM's "day of reckoning," to which Mr Justice Nicholls referred last week, could be deferred for weeks.

Assuming, however, that his appointment is extended by the High Court on Thursday, Mr Brewer will have legal control over the NUM's "income, assets, property and effects" in the UK and that, in itself, may prove sufficient to cause the union to capitulate.

The terms of Mr Brewer's appointment mean that, in legal terms, he is the NUM – with absolute control over every aspect of its existence except policy-making.

Court will rule today on move to block £248m bid for Currys

BY CHARLES BATCHELOR

THE HIGH COURT in London will rule today on the unprecedented legal stalemate blocking the £248m takeover battle between two rival electrical retailers Dixons and Currys.

Mr Justice Vinelott yesterday adjourned the hearing of Dixons' application to lift an injunction blocking the takeover after more than four hours of argument from counsel for the two sides.

Currys, which is fighting off a Dixons' bid, and one of its shareholders, Scottish Amicable Life Assurance Nominees, obtained an injunction late on Friday preventing Dixons from claiming victory by declaring that its bid was unconditional.

Scottish Amicable initially agreed to accept the Dixons' offer in respect of its holding of 0.68 per cent in Currys, but last Friday it tried to withdraw its acceptance.

W. Greenwell, the stockbrokers acting for Scottish Amicable, handed in a photocopy of a notice authorising the withdrawal of the acceptance but Morgan Grenfell, which is advising Dixons' refused to accept the photocopy, the court was told.

Morgan Grenfell then announced that Dixons had a holding of 50.6 per cent and declared the bid unconditional.

Currys argued that without the Scottish Amicable shares Dixons could not have declared the bid unconditional

Dixons gave the court an undertaking yesterday to make no further moves in the bid until today.

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UK NEWS

BP wins Cyrus field approval

BY DOMINIC LAWSON

BRITISH PETROLEUM (BP) has been given government approval for the first North Sea oilfield development involving its revolutionary Swops vessel, which is being constructed at the Harland & Wolff shipyard in Belfast, Northern Ireland.

The field was discovered in 1979 and lies under 360ft of water 150 miles north-east of Aberdeen, Scotland. BP confirmed yesterday that it had named the field Cyrus.

The Cyrus field contains in place reserves of about 70m barrels and will initially produce at a rate of 15,000 barrels a day. Construction of the Swops (single-well oil production system) vessel should be completed in 1987.

Swops is designed to produce, store and transport oil from offshore fields which are too small to justify fixed installations.

The vessel should extract about 10m barrels of oil from the Cyrus field, although secondary recovery methods might later add to that amount.

Sterling Guarantee Trust PLC

Unaudited interim results for the half year ended 28 September 1984

Year ended 24.3.84 £'000		Half year ended 28.9.84 £'000	Half year ended 28.9.83 £'000
47,342	Gross income from property	25,626	23,923
151,734	Turnover of service industry division	80,108	71,792
199,076		105,734	95,715
19,144	Net income from property division	10,852	9,324
10,536	Net income from service industry division	4,442	3,229
1,491	Income from investments	2,366	720
31,171		17,660	13,273
(14,162)	Interest payable less receivable	(7,544)	(7,783)
17,009	Profit before profit share and taxation	10,116	5,490
(553)	Employee profit share (note 1)	—	—
16,456	Profit before taxation	10,116	5,490
(4,609)	Taxation (note 2)	(2,348)	(997)
11,847		7,768	4,493
(37)	Minority interests	(62)	(38)
11,810		7,706	4,455
7,439	Capital profits less losses (note 3)	2,050	6,143
(7,439)	Transferred to capital reserve	(2,050)	(6,143)
11,810		7,706	4,455
(2,663)	Preference dividend	(1,310)	(1,310)
(3,549)	Ordinary dividend (note 4)	(2,003)	(1,138)
5,598		4,393	2,007
2.59p	Earnings per ordinary share	1.60p	0.90p

NOTES

1. The directors will decide on any amount to be distributed under the employee profit sharing scheme when the results for the full year are known.
2. The profit and loss account taxation charge is based on the profit for the half yea at current tax rates less the related advance corporation tax recoverable.
3. Capital profits less losses after capital charges and taxation comprise:

	£'000
Surplus of sale proceeds over original cost of property less taxation	2,953
Other items, including capital expenditure on exhibition centres written off	(903)
	2,050

Note: The above surplus on sale of properties includes attributable valuation surpluses previously taken up in capital reserve of £2,226,000.

4. The directors have declared the payment of an interim ordinary dividend of 0.5p net (1983: 0.325p net), in respect of the year to 24 March 1985. Warrants will be despatched on 25 January 1985 to ordinary shareholders on the register at the close of business on 14 December 1984.
5. The abridged profit and loss account for the year to 24 March 1984 is an extract from the latest published accounts for the Company which have been delivered to the registrar of companies.

Sizewell radiation 'double estimate'

By David Brindle

WORKERS at the proposed Sizewell B nuclear power station in Suffolk would be exposed to more than double the amount of radiation envisaged by the Central Electricity Generating Board (CEGB), according to opponents of the scheme.

The CEGB's plans to build Sizewell B, which would be Britain's first pressurised water reactor (PWR), are at present the subject of a long-running public inquiry.

The Anti-PWR Consortium of trade unions and local authorities said that radiation doses received by workers at similar power stations abroad made the CEGB estimate "not realistic."

The consortium will today submit evidence to the public inquiry to suggest that in France, where there are almost 30 working pressurised water reactors, the average collective dose has been measured at 430 rems a year.

This compares to the CEGB target dose of 200 rems and, the consortium stresses, takes into full account the use of improved robots for checking reactor components.

The evidence has been prepared by M Jean-Claude Zerbib, a radiation protection engineer employed by the French union CFDT, which represents nuclear industry workers.

According to his calculations, routine operation of a pressurised water reactor gives workers a dose of 70 rems a year. Annual refuelling adds 320 rems and a 10-yearly shutdown adds 700 rems. The average annual dose is 430 rems.

M Zerbib said that with the exception of two Soviet-built reactors in Finland, which report abnormally low doses, the picture worldwide is that it seemed difficult to reduce the collective dose of a pressurised water reactor below 400 rems after six to eight years' operation.

The consortium's evidence indicates that existing CEGB nuclear power stations emit radiation doses varying from about 50 rems to about 300 rems.

Mr Ian Gibson, a member of the national executive of the white-collar union ASTMS, which belongs to the consortium, said the evidence would help sway nuclear industry workers who remained unsure about their unions' opposition to Sizewell B.

GOVERNMENT CONCERNED BY £1.5BN COST OF POLLUTION CONTROLS

Britain to fight acid rain directive

BY IAN HARGREAVES

BRITAIN is to resist attempts by the EEC to impose air pollution controls on power stations which are intended to curb acid rain, Mr William Waldegrave, junior environment minister, said yesterday.

In a significant hardening of the Government's position before a meeting of Community environment ministers on Thursday, Mr Waldegrave said it was not a question of arguing that the commission's draft directive on the subject was too drastic or too rushed. "We aren't convinced that there should be any directive at all," he said.

Mr Waldegrave was speaking at the launch of the Government's equally uncompromising response to September's report on acid rain by the House of Commons environment committee, which strongly backed the European Commission's line.

He confirmed that the Prime Minister had personally vetted the arguments of rival scientists on the acid rain issue during a meeting of experts.

Some scientists maintain that emissions of sulphur dioxide and nitrogen oxides from power stations and cars are a key agent in causing acid rain, which is said to kill trees and fish. Other scientists argue against this evidence.

The minister said the Government had "no fundamental disagreement that emissions are serious," but believed there was insufficient evidence that a £1.5bn programme to fit gas scrubbers to power station chimneys – which would be required to meet the EEC directive – would help to solve the problem of polluted forests and rivers in West Germany and Scandinavia.

Mr Waldegrave also accused West Germany, which has led the campaign for tough EEC measures on acid rain, of "looking for things to do" in order to appear active on a domestically very sensitive issue. On other issues, such as the links between EEC farm policy and environmental damage, he said Britain had received no support from Germany.

Among the specific points made in the Government's response are:

● Backing for more research into building erosion and more detailed monitoring of air quality. These and other research projects are seen as forming part of existing programmes.

● Tighter emission controls for car exhausts to be achieved by developing lean-burn engines as previously announced. The Government rejects the Commons committee's proposal of a 40 per cent cut in nitrogen oxide emissions by 1987 as unachievable, but says it supports an EEC move to a 40 per cent cut in output in the next phase of Community standards, to become operative between 1989 and 1991.

● The draft EEC directive to reduce total annual emissions of sulphur dioxide by 60 per cent, nitrogen oxides by 40 per cent and dust by 40 per cent is dismissed on the grounds of cost – £1.5bn to fit power stations with scrubbers, adding 5 per cent to electricity bills. To achieve proposed EEC standards by 1995 would involve fitting expensive scrubbers to "a number of older stations with a short remaining life."

● The more cautious option of Britain joining the 30 per cent club would "require relatively little action" if present pollution trends continue, "but stronger growth in electricity demand could reverse these trends and could entail... expenditure of several hundred million pounds."

● New power stations. Decisions on whether to fit scrubbers to any future fossil-fired stations will be taken "in the light of technical developments and other factors at the time."

The Government says it is hopeful that research now in hand or planned will lead to improved combustion technology and so to lower emissions.

"In these circumstances the Government does not intend to commit the country to expensive emission controls, especially when there is uncertainty about the environmental benefits to be achieved in this country and in continental Europe.

"The Government intends to achieve further reductions in national sulphur dioxide emissions, aiming at a reduction of 30 per cent by the end of the 1990s."

Friends of the Earth, the environmental group, said the Government's paper had put environment policy back 10 years. Mrs Margaret Thatcher, Prime Minister, had abandoned her international responsibilities, it said.

Acid Rain. Government's reply to the 4th report from the Environment Committee, Cmnd 9397, HMSO £3.15.

Consortium will bid for U.S. defence work

BY ROBIN REEVES, WELSH CORRESPONDENT

A CONSORTIUM of 14 medium-size Welsh manufacturing companies is being set up to compete for U.S. military contracts, under the American defence offset programme.

The consortium will trade through Walesco, an independent company being established in the U.S. to manage the group and act as its marketing arm.

Walesco's first target will be a share in $300m of offset contracts available to UK companies under the programme. The group is also being geared to compete for commercial contracts and establish a broad marketing base.

The initiative, which has been sponsored by the Welsh development agency, is designed to enable the 14 companies to share in contracts and projects beyond their individual resources. It is being backed by International Industry Development Assistance, a U.S. company which will establish an American marketing arm and assist Walesco in the UK.

Chase Manhattan Bank, through its global electronics division, has been acting as financial adviser with Deloitte, Haskins & Sells.

Members of the Walesco consortium are: Carmarthen Wiring, Carrie Metalfab, Conblock Electrical, Control Gear, Form and Surface Grinding, Lion Laboratories, Midcast Engineering, Parc Electronics, Perch & Partners, Powerfab Sales & Spares, Race Electronics, Remsdaq, STC Telecommunications, and Tarren Products.

The group is being organised as a general contracting corporation with capabilities to design, develop and manufacture electronic equipment and systems.

Mr Nicholas Edwards, the Secretary of State for Wales, said it was important that all ways of generating economic growth were explored.

Bank governor urges greater role for IMF

BY DAVID LASCELLES

A GREATER role for both the International Monetary Fund (IMF) and the World Bank in maintaining international financial equilibrium and easing the world out of the debt crisis was called for last night by the Governor of the Bank of England.

In a speech intended as the Bank's contribution to the debate over the future of the twin Washington-based institutions, Mr Robin Leigh-Pemberton said they had played a vital role but might need to be given greater powers.

He believed the IMF should continue to act as a source of short-term lending because of the healthy policy conditions it attached to its loans, and because that encouraged the commercial banks to lend too.

He rejected criticisms that the IMF "meddled" in the affairs of its borrowers because without the adjustment it encouraged, many indebted countries would be even further away from creditworthiness than they were now.

However, the governor said the scale of the IMF's lending should be tied to what could be financed from its quota resources and the General Arrangements to Borrow (additional finance from the large industrial countries). Special finance, such as the recent loan from Saudi Arabia, should not become a permanent feature, he said.

Mr Leigh-Pemberton also urged that some of the broad surveillance powers the IMF had in the days of fixed exchange rates be restored to it, particularly to improve co-ordination of economic policies among its members. Such collective discipline might require the surrender of some sovereignty by members to the IMF, "but that might not mean less freedom if it also reduced the adverse effects of policy decisions in other countries."

UK NEWS

Farm machinery makers see break in clouds

Next year promises only slight relief for makers of agricultural machinery from their problems of over-capacity. ANDREW GOWERS and TONY JACKSON assess the prospects.

BEHIND the brave faces of farm machinery manufacturers and dealers at this year's Royal Smithfield Show, which opened yesterday in London, it is not difficult to detect a sombre mood.

The UK industry, nearing the end of a bad year for sales at home, is now looking ahead to one that could be even worse. By common consent among executives at the show, there is no sign of a let-up in the industry's damaging discount war, which is seeing prices regularly drop by 30 per cent and more, or of a diminution in the costly inventories which companies are having to carry.

The one bright spot, as far as rival manufacturers and many dealers are concerned, is the announcement last week that International Harvester's farm machinery operations in the U.S. and the UK – and possibly in France and West Germany – are being taken over by J. I. Case.

Even that will only bring slow and small relief from the problem of excess capacity which has dogged the industry for so long, however. The chances are that this problem will only intensify in Europe in 1985.

Already this year, according to Mr Chris Evans of the Agricultural Engineers' Association which accounts for about three quarters of industry turnover, UK tractor registrations have fallen more than 9 per cent to 25,500 units under the influence of EEC milk production quotas and price restraint in other farm products.

Next year, the British market will undoubtedly fall further. The Government has cut capital grants for farmers by £40m, and a reduction of tax allowances for capital investment which takes effect in April is expected to exert a particularly strong influence on farmers' buying habits. As a result, the industry is experiencing a big buying spree which is expected to last until March – at which point sales are likely to plummet.

Massey-Ferguson, number two manufacturer in the British market, expects registrations of tractors to total about 22,000 units in 1985, with up to 40 per cent sold in the first quarter. That leaves the UK industry more dependent than ever on exports. "As long as export markets continue to be buoyant, we can ride it," said Mr Evans.

The prospects abroad hardly look bright, however. Most observers expect U.S. farming – which has been an important market for European manufacturers this year owing to the strength of the dollar – to remain under severe pressure next year. The outlook in the developing world and the rest of the European Community is not much better.

Faced with such enduring gloom, something in the industry had to give. The fact that it has turned out to be International Harvester is a matter for great relief among other companies. The IH/Case deal and the attendant uncertainties over dealer networks, product ranges and factory closures is the talk of the show.

Many executives, while expressing surprise at the decision by Tenneco – J. I. Case's parent – to put more money into the farm machinery business, were wary about the long-term implications. The merger and restructuring of the two operations could well result in fiercer competition in an already cut-throat market. One marketing director said: "Tenneco obviously sees a great opportunity in the long term, and they've got lots of money to invest."

The implications of the merger in the UK are as uncertain as any, but the consensus among dealers and manufacturers is that some capacity will have to close – although Tenneco's priority will be to deal with its U.S. plants and dealer network first.

No one is underestimating the difficulties involved in implementing the merger – not least in creating a single product range, given farmers' tremendous brand loyalty.

However, many dealers are plainly delighted that one set of uncertainties over the industry, at least, has been resolved. Other questions, such as how capacity can be reduced further once the IH/Case merger is complete, will have to wait.

Choice of 700 personal computers in Britain

BY JASON CRISP

NEARLY 700 different personal computers were on sale in Britain at the start of last month according to the monthly report of the National Computing Centre (NCC). The figures are given as an example of the extraordinarily fierce competition in the supply of business personal computers.

Although the British market is dominated by relatively few companies such as IBM and Applied Computer Techniques, there is enormous competition from a wide range of suppliers. The NCC says there are not fewer than 434 single-user personal computers, including 80 portables and 44 programmable word processors.

In additior, there are 252 personal computer systems that could support more than one user. It notes that the market for peripherals is equally overcrowded. A customer in Britain can choose from 314 models of visual display units and 400 different printers. There is also a choice of 98 modems, which enable a computer to use the telephone, and 79 floppy disk drives for memory storage.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Ian Hamilton Fazey and Elaine Williams on two companies set on changing debt collecting's image

Setting out to break the mould

"THE NAME of the game," says David Baber, "is not debt collection, but cash flow. What many small companies fail to realise is that debtors are the easiest form of finance they can put their hands on."

Baber's mission is not just to convince companies of that but to use it to make his own small business, the Credit Protection Association, prosper. He is doing so by developing novel approaches to debt collection.

His figures prove it. When he paid £3,000 for CPA from the English Property Corporation in 1977 (it happened to be one of the assets in a building EPC had bought in Birmingham), it had three employees and was turning over £20,000 a year. Annual turnover is now £2m and the company has 15 full-time employees and 80 self-employed salesmen working to it. It has also built its own office block in Hammersmith and has eight regional offices and one in the Republic of Ireland.

Most traditional debt collection businesses are paid through commission on money brought in. Techniques range from telephone requests for payment to letters threatening legal action. Most usually get the "tough stuff" that is left to chase after clients have exhausted their own collection procedures. The industry's image is hardly rosy.

Baber has for several years worked at changing the image by eschewing the traditional commission-based approach. CPA works on a fee basis—set at a level designed to be low enough to encourage use of the service earlier and, it reckons, more effectively since bad debts can die of neglect while still relatively young. One thing not given is credit.

Established in 1914, the company's basic approach is to sell its clients books of coupons. When a bad debt requires chasing, the details are filled in on a coupon which is then sent to CPA. Each coupon entitles the holder to three letters sent by CPA pressing for payment.

Baber's coupon books are still the mainstay of the business, though he expects them to be overtaken eventually by a new, computerised service launched last year called "total credit management" or TCM. With coupons up to 30,000 debts are handled each month, average value £150 each.

Each book of £100 coupons costs £695. Baber guarantees that if using the coupons does not recover £6,950 of debts, CPA will refund the cost of the whole book in full. "We have occasionally had to give the money back," he says.

CPA says, it aims to adopt a polite approach and reckons that its name is enough to jolt a majority of slow payers into writing a cheque. Its notepaper reveals the address of CPA's registered office as Carey Street—where the Bankruptcy Court is also situated.

Critical to Baber's approach is that the debtor pays his creditor directly, with no money passing through CPA's books at all. A first letter—printed in black—to a debtor has a "more in sorrow than anger" mood about it: "a member of this Association" has asked CPA to act as an "extension of its credit control system." About 60 per cent pay up within 10 working days of receiving it, maintains Baber.

The second letter is in blue ink and gets a little firmer and leads to another 15 per cent paying up. The rest get the "red" letter, which reveals that CPA may use inquiry agents to obtain details of the debtor's assets and income and the amount owed to other creditors and that this information would then be available to any other person legally entitled to receive CPA creditworthiness reports. This, says CPA, prompts a further 10 per cent to send their cheques.

Whichever letter debtors pay on, Baber always sends a subsequent "Thank you" letter.

With the 15 per cent of outstanding debtors clients are asked how they want to proceed. If they opt for CPA's litigation department clients subscribe a minimum fee of £624 a year and a general one of 0.075 per cent of turnover, up to a maximum of £24,000.

For their money CPA clients—60 per cent of which employ fewer than 10 people—get credit status reports, the "letters" debt collection service and, for an extra premium, insurance to cover legal costs if it comes to that. They for their part have to state their credit terms on all relevant stationery and activate the system within agreed time limits when debts become overdue.

David Baber — Barbara Freedman

Women-only approach

THE TITLE "debt collector" often conjures up images of heavy-handed men and shady backstreet dealings. Barbara Freedman, like David Baber, is determined to break that image.

Her company, Outstanding Services (Credit Control), is a founder member of the Debt Collectors' Association, which has just over 30 members. There are almost 400 debt collection agencies in the UK.

Outstanding Services, based at Edgware in North London, was set up by Freedman some 13 years ago after she had spent 18 months with a debt collection agency as a secretary. Annoyed by the aggressive attitude of male debt collectors during telephone conversations with debtors, Freedman was convinced that she could do better with a more understanding approach.

She was given a chance to try for herself and her softer attitude was successful. Then she left to set up her own company with £1,000 of family finance and a further £1,000 from a local bank.

Her aim was to run a business aimed at larger companies which would give an efficient, ethical service. She believes that a gentle touch is needed and employs only women to carry out the business of debt collection.

"We are never aggressive. We try to be persuasive. I treat people as I would like to be treated." Freedman explains.

"You have to be seen to be whiter than white when handling other people's money," she says. For this reason customers are welcome to come into her offices and inspect the accounts.

Over the past year or so the company has spent over £30,000 to computerise its business operations. And it is in this area that the only two male employees work: one with the computer, the other is the accountant.

Most of Outstanding Services' customers are organisations operating in highly competitive, low margin industries, for example, oil companies, breweries, hotel groups, office equipment, haulage, plant hire and credit card companies. Sometimes Outstanding Services acts as the credit control department of a company.

The success with which money can be retrieved varies greatly and it is difficult to assess whether Freedman's methods are any more successful than the more traditional approach. In consumer debt, 40 per cent is a good figure; with company debt Freedman reckons that more than 90 per cent should be a good average. Commission, which can vary from as little as 1 per cent to about 25 per cent, is based on the likelihood of receiving payment.

With the growth of credit cards has come increasing personal debt. Now collection of these debts accounts for about half the company's total business.

Outstanding Services has its own legal department so that if all argument has failed, then legal proceedings can begin without the delay caused by papers leaving the office.

The company's investment in computers has cost it dear. In the year to June 1983 it made heavy losses, but last year it made a profit on £5m of debt receipts.

When loneliness and stress go hand in hand

"MY WIFE doesn't understand my business" may sound like a variation on an old theme, but it is one of a number of factors cited by U.S. small businessmen as reasons for feelings of loneliness.

More than half of the entrepreneurs in a survey of small business in New England reported frequent loneliness; they also had a higher incidence of stress-related symptoms, such as back or chest pains, headache, impaired digestion and insomnia.

Among people hit hardest appear to be those who worked formerly in large companies. When they set up on their own they suddenly discovered that they had no peers with whom to discuss work and business problems.

As one put it: "I'd never thought about loneliness before because I'd never met it. In corporate life there was always someone to share ideas with. They knew what I was saying because they had been there. In my former post there were 15 general managers and any number of junior managers to talk to. Now it seems I have no one."

The survey was carried out by David E. Gumpert, associate editor of the Harvard Business Review, which reports the findings in its latest issue, and David P. Boyd, a specialist in management psychology at Northeastern University's school of business administration.

The sample was a random one of 300 and there was an 83 per cent response rate to a mailed questionnaire. A dozen respondents were later interviewed in depth. More than two-thirds said they had no one to confide in at all about business problems.

Not being able to talk to anyone extended to family and friends too. Respondents tended to work long hours and have business-oriented goals and values. The values of families and old friends were divergent. Spouses and children wanted to share problems but could not.

One of the "my wife doesn't understand my business" variety said: "She asks questions which are hard to answer without getting mad. If I complain that sales are slow, she tells me, 'Go out and sell more.' At times, despite myself, I snap at her. She asks the wrong questions at the wrong time. She can't help it; she doesn't understand."

Gumpert and Boyd say that loneliness is the small business owner's "silent partner." The cause is the nature of small business itself, often compounded by the need to appear self-contained and tough, which Gumpert and Boyd describe as "The Marlboro Man" image.

They write: "Poker players contain their emotions lest frowns, smiles, sighs or chuckles give away their cards. Small business owners are like poker players except that their opponents are suppliers, bankers, competitors and employees."

This leads to people disguising illness or difficulty in case it is construed as weakness. According to the researchers: "It makes sense for start-up entrepreneurs, who must mobilise assorted individuals and project unwavering faith in their ventures. But over time, the need to be a tower of strength may become a burden. Our study shows that this exaggerates feelings of loneliness and heightens stress."

HBR. November - December 1984, Boston, Ma 02163.

I.H.F.

The four Ps of marketing

The HOW TO of...

CREATING CUSTOMERS

PETER DRUCKER, the renowned writer on management, has said that there is only one real business objective — creating customers. Without them there is no point in production and no way to profit. Failure to do this is the reason most small businesses list "low turnover" as one of their main problems.

Indeed, creating profitable customers is what is really meant by "marketing." Advertising, which is what many people think it is, is but one facet. Try to think of marketing as having four "Ps" — products, prices, places of sale and promotion. Creating customers depends on combining these in the right mix.

Marketing is also an attitude of mind: to assume it you have to look at what you have on offer through your customers' eyes, not your own. Customers do not see your blood, sweat and toil, only what you put before them. "Promotion" and "places of sale" are about reaching likely customers in the first place. "Products" and "prices" will enable you to give the right answers when a potential customer says: "So why should I want this?"

Why advertising assumes so much importance in marketing is that it is part of the critical stage of prospecting for customers. The best, most reasonably priced products in the world are doomed if no one knows about them. Emerson's famous pronouncement about a path being beaten to the doors of anything making a better mousetrap can only become true if customers know the address.

So how to spread the word? The basic rule is to find methods of promotion which will bring what you have for sale to the notice of the maximum number of potential buyers. Advertising in the right medium may be part of the answer but here are some other approaches.

Use your existing contacts. Although there is only so much each can buy you can extend your contacts by getting them to tell others they know—usually it will be competitors—who might be interested in what you have on offer. So talk to your customers.

Become more observant. Be alive to opportunities when reading local newspapers or travelling around. Know who's who and what's where in the sort of places where you think your customers are.

Use the local library, consulting classified lists and directories for companies or people to target as customers. Lists of members of trade associations are also useful, even if you have to take out associate membership to get them.

If there is a small business club in your area, join it. The same goes for chambers of commerce, industry and trade. Moreover, the larger of these organisations will usually have their own libraries full of potentially useful information. Often, large companies looking for suppliers or sub-contractors will ask a chamber of commerce for a list of members who can supply the service involved. Make sure you are on it.

Develop your social contacts through clubs and civic activities. The more people you know, the more leads you will get. Don't hide away in your factory unit or office. There is no substitute for meeting people.

All of these approaches will enable you to draw up lists of "target" customers. Start approaching your targets directly, by mail, telephone or by calling personally. Mail is useful if there are a lot of them, but don't expect a large response. All such mail is "junk" unless it "hits the spot." Calling personally, however, is unlikely to work without a prior appointment.

The telephone is therefore the most potent tool of all. Use it to say that you will be in the target's area during the next few days and wondered if it might be worthwhile calling in for a chat. You should be able to find out what you need from the "What about?" that follows. Such is the way into the market place; how to make the sale comes next.

I.H.F.

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TECHNOLOGY

EDITED BY ALAN CANE

LEADING JAPANESE SEMICONDUCTOR COMPANIES AIM TO BREACH AMERICAN STRONGHOLD

Japan challenges U.S. micros

BY LOUISE KEHOE IN SAN MATEO, CALIFORNIA

JAPANESE SEMICONDUCTOR manufacturers have raised a new challenge to the U.S. semiconductor industry with the development of their own microprocessor designs.

Until recently every significant microprocessor design originated in the U.S. It is now clear, however, that Japanese chip makers intend to compete head-to-head with U.S. firms such as Intel, Motorola and National Semiconductor by developing their own proprietary microprocessor architectures and marketing them worldwide.

Nippon Electric made the first move with the introduction three months ago of a family of 16-bit microprocessors called the "V series." The NEC devices are currently being sold in sample quantities in the U.S. NEC says that it plans to introduce a 32-bit microprocessor next year.

Last week, Hitachi followed suit by revealing that it has developed a proprietary microprocessor which it claims will outperform anything currently offered by U.S. competitors. The Hitachi "Micro 32" represent a significant step forward for Japanese semiconductor design technology, according to U.S. analysts.

The Japanese microprocessor designs give the U.S. industry cause for concern. Although American chip makers have conceded that the Japanese are the masters of high volume commodity part production—as seen in the 64K RAM market—they have proudly countered "The Japanese Threat" with new microprocessor designs. Now it seems that the Japanese can meet or even beat U.S. manufacturers in their strongest market.

The prototype Micro 32 is a full 32-bit microprocessor that doubles the performance of the Motorola 68020 or the National Semiconductor 32000, according benchmarks show that the ing to Hitachi. Performance Hitachi microprocessor can process 4m to 5m instructions a second, twice as many as the U.S. designs, the Japanese claim. Industry sources suggest that the Micro 32 will also outclass Intel's as yet unannounced 386 32-bit microprocessor.

It will be "about two years" before Hitachi is ready to put the Micro 32 into full scale production, according to Mr Tadao Koga, vice-president of Hitachi America in California. Hitachi is, however, expected to unleash the first round of its attack on the microprocessor market in early January when the Japanese company will announce its own 16-bit micro.

While Nec and Hitachi both say that their microprocessor architectures are totally original and proprietary, both companies have designed their devices to be compatible with leading U.S. designs.

The NEC V-series devices are "pin for pin" replacements for the Intel 8088 and 8086 microprocessors used in IBM's personal computers and compatible machines, according to NEC Electronics USA.

Similarly, Hitachi has mirrored the Motorola 68000 series microprocessors with its Micro 32. Hitachi claims that the Micro 32 is compatible with the 68000 "except in minor areas." The Hitachi part uses the same peripherals as Motorola's 68000 explains Mr Koga.

Emulating established microprocessor designs is important for new entrants into the market. If a new microprocessor is compatible with an old design it can take advantage of the numerous peripheral chips made to work with the established part. A new design that enhances the performance of existing microprocessors also offers microcomputer builders an inexpensive upgrade path. A system manufacturer currently selling a Motorola 68000 based microcomputer could, for example, improve the performance of his product without having to make major software and design changes by switching to the Micro 32, according to Hitachi.

The introduction of proprietary Japanese microprocessors raises several issues for U.S. semiconductor manufacturers, not the least of which is the prospect of a group of new, strong competitors. U.S. manufacturers fear that Japanese suppliers will take over a major portion of the Japanese microprocessor market.

Another problem is that Hitachi, NEC and other major Japanese chip makers are currently important "second sources" for the U.S. manufacturers. Agreements between the U.S. and Japanese companies give the Japanese the right to manufacture U.S.-designed microprocessor chips in return for royalty payments or technology exchanges. (A U.S. semiconductor company typically has several such agreements. Usually there will be a U.S. alternative source, one in Europe and one in Japan).

The second source company competes with the original U.S. designer for sales of the same chips, but together they establish the credibility of the product and sometimes share the costs of developing peripheral chips.

Now that Intel's Japanese second source, NEC, and Motorola's second source, Hitachi, will be selling rival chips they would appear to be less valuable second sources for the U.S. companies.

Motorola and Hitachi could get around this issue by agreeing to swop their 32-bit designs. Hitachi America says that it is involved in negotiations with Motorola that could lead to such a swop, or to an agreement whereby Motorola would second source Hitachi's Micro 32, or Hitachi might second source Motorola's 68032.

Nothing has been settled. A Motorola spokesman said that the company would not be prepared to say whether it was involved in any such negotiations. Motorola also disputes Hitachi's claim that the Micro 32 outperforms its 32-bit microprocessor.

An even thornier issue centres on the proprietary nature of the Japanese designs. There is considerable debate in the U.S. semiconductor industry about whether programmable chips that emulate the performance of an existing design may infringe copyright law. In relation to the Japanese microprocessors, the question is particularly sensitive. In the past, Japanese companies have "reverse engineered" U.S. designs. U.S. manufacturers have fought lengthy legal battles to protect their products.

A recently enacted U.S. law that extends protection to the "mask" patterns used to fabricate microchips is expected to put an end to the most blatant type of chip copying. Since there is no suggestion that the new Japanese microprocessors are in any sence "copies" of U.S. designed chip, it does not however apply in this situation.

What is being discussed in the U.S. is whether the micro-coded instructions used by the Japanese chips are sufficiently similar to those of existing designs that they infringe copyright law.

Design and production of microprocessors has been dominated by American companies. Japan has made spectacular inroads in other microelectronics markets and now hopes to break this last barrier.

UNIVERSITIES AND INDUSTRY

How to cash in on research ideas

SURREY UNIVERSITY has signed up the first batch of companies in a scheme to earn cash in exchange for passing on research ideas to the world of industry.

For a subscription of £5,000 a year, the Guildford-based university will provide companies with details in eight key areas of science and technology.

The information will be communicated in the form of seminars, special consultancy arrangements, advice on technology investment, an almanac of university research plus a newsletter.

Five companies have so far become members of what the university calls the "Surrey Network." They are Jhonson Matthey, Air Products, Shell Research, Grand Metropolitan and BOC.

The last two groups are also to set up their own research units on a science park to be built next to the university. In the case of Grand Metropolitan, the company will build 16 small work spaces which it will sublet to fledgling technological enterprises.

The company foresees that small ventures that take accommodation in its units will also gain the benefit of university research. In turn, Grand Metropolitan hopes it will obtain useful knowledge of new technologies pioneered by its tenants.

The Post Office is also considering whether to join the Surrey network. The university says it hopes for a total of 20 members, which it wants to sign up by the end of 1985.

The university says it has structured its network to meet the needs of industry, not those of academic administrators.

The companies participating in the scheme will receive information packaged into these eight sub-sections, which are as follows:

- Structural analysis and design, for instance development of plastic and timber structures or computer analysis of new buildings.
- Food and nutrition. Includes analysis of new foods, water and waste treatment, nutritional values, institutional catering.
- People at work. Research areas encompass ways of recruiting staff, environmental design, stress management, managing of accidents at work.
- Health and safety, for instance pollutants monitoring, assessment of fire risks.
- Computing and electronics.
- Energy studies, for instance conservation and forecasting.
- Biotechnology. Includes processing and studies of new drugs.
- Materials technology. The university is working in, for instance, ceramics and cements, surface analysis, chemical and physical metallurgy.

IMPROVING OIL PRODUCTION

Enhanced oil recovery

A NEW UK oil company, Interoil, has acquired a Californian oil field which contains over 100m barrels of oil for only $550,000.

The problem is that the oil in the field is of the consistency of tar, so difficult to extract and so the field produces only 30 barrels a day.

However, Interoil has developed its own system of enhanced oil recovery, by which it claims it will be able to increase the field's production to up to 10,000 b/d. The cost per barrel will be no more than $7 compared with the $16 a barrel extracted by traditional methods of enhanced oil recovery. Interoil claims it can recover over 15m barrels from the field.

Interoil's technology has been developed from proven sulphur recovery and refining techniques. In essence, the process involves upgrading the crude oil to a lighter quality. Then the heavy fractions are burned to produce heat which is directed into and reduces the viscosity of the oil reservoir. Solvents, extracted from the heavy crude itself, are injected into the reservoir to aid the flow.

The field is being purchased from the U.S. company Concord Oil and Gas. The total project cost is estimated at about $6m. After taking over as operator, Interoil plans to raise the field's production to 1,000 b/d within six months.

Software

Automated production

A lecturer at Trent Polytechnic in Nottingham is selling software packages that help engineers in industry to design automated production systems.

Dr Paul Ranky of the department of industrial and production engineering sells the software for between £99 and £600. Academic groups obtain a special discount. The Hungarian-born academic has sold packages to several companies, including Borg Warner and Ingersoll in the U.S. He has worked on a consultancy basis for other groups such as IBM, Lucas Girling and Plessey.

The software, which runs on IBM and ACT personal computers, helps engineers in areas such as the scheduling of material through a complex system automated machine tools linked by transfer devices.

Components

Silicon chip growth

ACCORDING TO market research organisation IPI, 50 per cent of integrated circuit use by 1988 will consist of some form of full custom or semi-custom circuit.

IPI is offering a report, compiled by Electronic Trend Publications, called "Customising very large scale integrated circuits" in which it is also predicted that by 1988, 68 per cent of all custom circuits will be designed with gate array and standard cell techniques.

The report describes the different ways a chip can be tailored to the application, compares characteristics and techniques.

THE ARTS

London Galleries/William Packer

A Scot comes to artistic judgement

There are, we know, very many stories of Englishmen, Irishmen, Scotsmen, which is no reason at all for not retailing yet another. The Scotsman in question is Steven Campbell, who is Glaswegian, was a steel-worker, and turned to art school and to painting in his middle 20s. Now, some six years on and just two years after leaving Glasgow School of Art for a year in New York on a Fulbright Scholarship, he is enjoying his first and not altogether undeserved success, his large, robustly figurative painting already much noticed and sought after in New York, and rather more coveted than acquired here: British art has always been seriously undervalued at home.

This is, therefore, a tricky moment for Campbell and his reputation, this being his first domestic exposure entirely on his own, the most important exhibition of his young career (at Riverside Studios until December 30, then at the Fruitmarket in Edinburgh in the New Year). For single spies are one thing — in the British Art Show, for example, and the inaugural "Genesis" exhibition last summer at the new Scottish National Gallery of Modern Art — a whole battalion quite another. And the trouble, what trouble there is, must centre upon our general preparedness to swallow at one go and thoroughly digest a reputation so well cooked abroad. These, after all, are works already set, at least by implication, at our institutional collections: and though it may be quite self-induced, it would be less than human were one or two of his contemporary painter stay-at-homes not to feel a little tweak of indigestion, or heartburn perhaps, at the thought.

For my part, I must say at once that Campbell is an interesting and in many respects a very good painter; and if I make something of an issue of this matter of the beanstalk growth of his early reputation, it is only to strike a critical note, not of scepticism or positive dissent, but of simple caution in an artist's interest. For artists must be given time and room to develop in their work, whatever the hullaballoo of the moment, and deserved or not as the case may be, an immediate success can bring with it powerfully distorting pressures — we do well to remember that the beanstalk of such magical growth was soon cut down.

Here we have an artist of talent and clear ambition, for to work on such a scale and with such vigour both declares and requires each of the other: but to make such an attempt is sometimes to stretch too far, and here we see exposed certain technical limitations and general inexperience. The attempt is indeed to make painting on the grand scale, significant and even portentous, his private obsessions, quirks and jokes invested with the simple, definitive grandeur of public symbol and universal application. But he avoids the classical allusion, the overt psychology, the pointed literary reference that engage so many of his contemporaries, that can so easily degenerate into mere affectation. His imagery rather is gleefully secular and personal, his symbols as obscure as they are general, to be taken by the observer in his own way, the clues offered by the titles not really clues at all but teases: "Building Accusing the Architect of Bad Design," "Gesturing with a Blue Fish," "Owl Butting Hiker on the Knee."

All this is set out and stated with great good humour and physical gusto, fractured figures in fractured pictorial space somewhere in the wilderness at the end of the world, hikers in tweeds and stout shoes confronting an unfrightening yet emphatically physical Chaos, beset by owls and woodpeckers, hares and beetles, fallen trees and intrusive undergrowth. He contrives his imagery with an admirable wit and pictorial invention, which is no small matter on so large a scale, and above all, which is the real achievement, he works the surface of the canvas, yard upon square yard, with a fine control of paint, ever fresh and lively.

He is a natural painter, in control of his medium, which is his great strength. His drawing on the other hand, by which his imagery is actually defined, is not always quite so convincing, and seen here en masse, his figures in particular soon seem to merge into a single graphic character, undifferentiated but for details of gesture and circumstance. It is perhaps that once a difficulty has been circumvented, in this case by the establishment of a convenient and repeatable type, it is to be put safely aside and no longer considered. It is not as though Campbell does not know what he wants to invent and so dispose within his great design, but rather that the particular invention itself has come to him at second hand. The artist remakes Nature, at his own discretion, with every image, but it is always better made from direct and personal study, and long experience. Thus to extend the resources of his invention could only enrich the work, which point Campbell has, I suspect, the resilience and imagination to take.

'The Berties' by Steven Campbell

The Irishman was once almost taken as an Englishman, and has based himself on New York these seven or eight years past, though he has remained with the Rowan Gallery all this time and shown here at regular intervals. But even so his new work, of which I had a preview of sorts in the early autumn at ROSC in Dublin, is something of a surprise (at Juda Rowan in Tottenham Mews until December 15). Sean Scully has always been concerned with the simple articulation of space and surface by means of lines and grids. Gradually these devices grew so simple that they all but disappeared as Scully's interest became fixed more and more upon an immaculately treated surface and the narrowest, most subtle discrimination between line and ground, quietist, monochromatic, minimal. These large, bright, assertive pieces, therefore, do rather take one aback, as much objects in relief as paintings, and their surfaces worked now with such apparent freedom and panache.

But consideration brings with it the realisation that the work has developed quite naturally. The bands of colour, so much broader now, remain the determining pictorial device, and if the colours are bright and strongly marked, and the surface looser now and more open, the paint is still laid on with the nicest and most thoughtful touch, and the concern for the space each stripe holds against its neighbour still to do with the painter's, not the sculptor's illusory space.

The discrete elements which constitute the paintings, stepped out by degrees towards us and breaking down the usual integral format and surface of the painting, feed off each other nevertheless and so draw again together, to suggest as ever the old, ambiguous, coherent, eternal pictorial space, a function of the imagination, not of physical fact.

I do not have a Welshman this time, I am afraid, but I do have an Austrian, who came here as a boy before the War, and whose career was made in the English art world. Henry Inlander died in December a year ago, and now the New Art Centre in Sloane Street is holding a small memorial retrospective (until December 22), which can give no more than a taste, and a partial taste at that, of his prolific and various output. But that is not to suggest any inconsistency, either of vision or achievement. It is easy always to look to the latest work and to remark moves and changes for their own sakes, but the virtue of the retrospective opportunity is to reassert the underlying coherency that should inform a life's work. Ideas may change, spontaneity of hand moderate into certainty and skill, the eye grow more searching, the sensibility more profound, but all remain invested in the same person, functions and qualities of the same creative intelligence.

Inlander was ever preoccupied with landscape, most especially with the curiously flattened hillside seen across the ambiguous spaces of a valley in between, and this he would return to time after time, reincorporating and transforming it with every new interest in his working life, as he looked out, Bonnard-like, from his Italian verandah to the garden, fields and hills beyond. There is something of such work here; but yet perhaps more to the point of continuity, and certainly most poignantly so, are the four small self-portraits that introduce the exhibition, and which span his life as a painter.

Of all portraits, it is the self-portrait that has most the quality of transfixion, the power to make us stand in the artist's place, and look into his face as we might our own. These four small paintings, a shade unusual in the general oeuvre, are yet a fine and infinitely characteristic memorial in themselves to a fine painter and a true artist. I knew him too as a friend, and am happy to be marginally associated with this exhibition, through a note to the catalogue.

Beethoven/Festival Hall

David Murray

Beethoven's *Missa Solemnis* cannot but sound imposing. That it did on Sunday, in the London Philharmonic Orchestra and Choir's plain, solid, honest performance under Jesús López-Cobos; and granted that it was imposing, no more precise general description suggests itself. López-Cobos was at pains, I think, not to impose any sort of personal reading upon the work: it wasn't fervently worshipful, nor elevated-pious, far less operatic. To put it another way, those of us who perceive the *Missa Solemnis* as a monumental problem were bemused to find the conductor preferring to recognise no problem at all.

Yet the piece wasn't underplayed. López-Cobos fixed a dynamic range suitable to its breadth, and the LPO lived up to it full-bloodedly; the Choir, no less keen, maintained the energy of their taxing music (there was some unlovely tone at the extremes of the vocal register, but that is normal and mostly harmless). Among the very few lapses was the "Quoniam" fugue, which began as if caught off guard and never became incisive. The famous eruption of trumpets and drums in the "Agnus Dei" was treated tamely, without dramatic implications. The solo violin (David Nolan) in the "Sanctus" was forthright and mundane, laden with conventionally impassioned vibrato.

The quartet of solo voices might have been chosen for having no collective identity (though in fact there was a last-minute replacement for the announced tenor). We had Anne-Sofie von Otter's glamorous young mezzo, of vivid personality and exact musical intentions, against the floated tone and distinctly "Viennese" vocal manners of the Canadian soprano Edith Wiens. Matthew Best's warm, youthful bass hadn't the ideal stern authority (nor the lowest reach, except by way of promissory notes) for his part, but underpinned the ensembles well; John Mitchinson's tenor sounded slightly frayed, as often, but made a mark as usual by a kind of raw sincerity. I doubt that any *Missa Solemnis* performance that aimed at a specific view of the work could use more than one of these interesting singers.

Arbor cosmica/Elizabeth Hall

Max Loppert

The novelty in Sunday's recital by the chamber ensemble of the Academy of St Martin in the Fields was Andrzej Panufnik's *Arbor cosmica*, a substantial set of "12 Evocations for 12 strings." Panufnik owns, in a programme note, to a "lifelong admiration, almost worship, for trees;" in the 12 movements of which his suite is made, he has endeavoured to evoke and reflect all the associations that trees can stir in the imagination, and, beyond that, to "translate into music their soul-projections."

Panufnik, 70 last September, is in his way a master composer. In all his mature works one finds a similar sureness of purpose and method—and whether or not one warms to that purpose, those methods, recognition of the exactitude with which they are delineated must not be grudged. In all those mature works a central inspirational symbol or emblem gives rise to a basic structural groundplan that controls every aspect of the music's unfolding. Here, a tree-like basic pattern (shown in the programme) of defining motifs and harmonic cells is explored in each of the movements: there may be variety of tempo, texture (the mastery of string-writing techniques and combinations is comprehensive) and mood, but it is achieved from the most tightly restricted handful of materials.

My own response to Panufnik's music tends to start with admiration for the pointful delivery and lean sonority of the musical ideas, and then to be succeeded after a while by a feeling of slight thirst for a less rigidly schematic manner of their expression. In the case of *Arbor cosmica*, the short length and careful placing of individual movements kept the feeling at bay rather longer than usual (and in them the purely evocative aspect of Panufnik's art has never been stronger). The composer himself conducted a vivid performance; it was not without one or two rough edges and loose ends, but it made clear the manifold rewards of the string-writing, which the Academy players (led by Kenneth Sillito) obviously relished.

Saleroom/Antony Thorncroft

There was a disappointment at Christie's sale of continental porcelain yesterday when the most important lot, a Meissen gold mounted snuff box, decorated with a view of London and made around 1750, failed to find a buyer. It was unsold at £18,000 as against a lower estimate of £20,000. It is the only known Meissen snuff box with a view of London.

Apter paid £21,600 for a pair of Meissen figures of sparrow hawks modelled by J. J. Kandler and the Antique Porcelain Company bought a Meissen helmet shaped ewer and basin for £20,520. Christie's sold the same lot five years ago for £8,800. The same dealer paid £19,440 for a pair of Meissen figures of magpies.

A Fang wood male reliquary figure did very well in a Sotheby's art sale, making £33,000, way above its £20,000 top estimate. A Dan wood maternity group sold for £13,200.

Last week the Metropolitan Museum of New York added £67,127 to its funds by disposing of a group of over 80 mainly Tibetan and Nepalese bronzes at Sotheby's. Unlike museums in the UK the Met often sells off items that are of no great importance and which it cannot display, using the money generated to acquire key objects and to widen its collection.

A Nepalese gilt-copper figure of the Tara, of around 1300, which the museum had acquired in 1918 made the top price of £7,150, and a Sino-Tibetan gilt bronze figure of Dharmapala Yamantaka, of the 18th century, acquired in 1941, realised £6,600.

The British Museum in particular has many items in its vaults which are very rarely seen, even by scholars, and given the keen current collecting interest in oriental art, tribal art and antiquities, consideration might be given to supplementing the museum's limited funds by selling off some of these unregarded trifles. There is also the vast collection of objects of the planned (but unlikely to be built) Indian Museum still in store in Battersea which might be better off on the market if financial restraints mean that its proper display is a remote possibility.

Arts Council bursaries for dance animateurs

The Arts Council is awarding bursaries of £1,200 each to Judits Bird, Evelyn Lichota and Karin Wilkinson to enable them to taain as dance animateurs, and £2,000 to Debi Barnard to train as a mime animateur.

Video/Nigel Andrews

Mad scientists for a rainy night

In Elizabethan times, as you know, householders used to shout "Gardy loo!" ("Gare de l'eau") when throwing unpleasant waste substances from an upper window. This warned pedestrians to pass over to the other side of the street, or else put up an umbrella. (It also gave birth to the word "loo.") Unfortunately, there is no equivalent expression today for use by major movies companies hurling their reject feature films out of the window on to the heads of passing video-viewers. We have all been concussed by them—they usually star ageing Hollywood stars, have the musty smell of an over-long shelf life and induce an immediate feeling of bruised contamination.

But the exciting news this month is that Hollywood majors premiering new wares on video are now beginning to throw good movies after bad. Warners lead off with *The Man With Two Brains*, a surreal and rambunctious Steve Martin comedy that home viewers can rejoice at having first bite at, there being no present plans for a UK cinema release.

Why not is a mystery; for if Martin is an acquired taste it takes about two seconds to acquire it here. Playing world-famous brain surgeon Dr Michael Hfuhruhurr (pronounced Hfuhruhur), Martin plies his shocked eyes, silver hair and deadpan-forthright craziness in romantic pursuit of a young female brain he's fallen in love with. It lives in a *jar in Dr David Warner's Gothic* flat (which, situated in a modest apartment block, is the size of Castle Dracula). "For the first time I'm aroused by a mind!" cries Martin, who lives in tormented celibacy with the arousing body of Kathleen Turner, frigid after an accident. Can he consummate his problematic passions — with either lady? How will they affect his already eccentric performances in the operating theatre? ("Give me some sweat on my upper lip" he snaps to the nurse with the swab.) And is he about to find a macabre new use for his "cranial screwtop" method of brain-entry; which though it looks alarmingly casual is also thoughtfully childproof, since you have to press down first.

Directed and co-written by Carl Reiner, who piloted Martin *to hilarity in The Jerk* and *Dead Men Don't Wear Plaid*, the film is weird, wondrous and often very funny. Relish not just Martin, a louche-limbed, man-about-town switching between the debonair and the demented, but also the sizzling Miss Turner, a cooker of male libidos who turns up her front and back burners to an even fiercer temperature here than in *Body Heat*.

One can, of course, never have too much of mad scientists and/or sizzling ladies. Both are present in *Embryo* (Videoform), which takes this year's prize for Sci-Fi hokey-cokey beyond the call of duty. Dr Rock Hudson, deadly serious, unlike Dr Steve Martin, conducts genetic experiments in his laboratory at home. Picture his alarm when (i) his first successful live foetus *swiftly turns into the dishy* Barbara Carrera (from test-tube to teenhood in more days) and (ii) the dishy BC wastes just as little time in turning into a full-grown woman and then a hoary old crone. Clearly Dr H has problems with his experiment's built-in obsolescence factor, and the romantic fool has also fallen in love with the young Miss C. This preposterous fun is directed by Ralph Nelson and well worth subjecting yourself to on a rainy night.

There are also, of course, ant films. Speaking as one who once found himself brushing his teeth with a toothbrush full of ants, to my never-forgotten horror, when an insect army invaded my bathroom in a Sicilian hotel, I must recommend the two cautionary tales *Ants (Thorn-EMI) and Empire of the Ants* (Rank). The first has Robin Foxworth, Myrna Loy and others at bay against an attack of killer ants in a luxury hotel (sounds like my predicament) and the second has Joan Collins swinging into action against a dynasty of the little perishers in wildest Science Fictiondom. Both films are almost completely loony, but they do, like the best Sci-Fi, have their moments and make you think.

Finally, video briefings. Best classic reissue of the month: Hitchcock's *Rear Window* (CIC). Best comedy issue of the month: *Morecambe and Wise* (BBC), featuring their best musical moments (including Angela Rippon). Best cartoon issue of the month: *The Snowman* (Palace), Raymond Brigg's plump, white and jolly hero brought to fine animated life.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Nov 30–Dec 6

Opera and Ballet

PARIS

Der Rosenkavalier alternates with Spectacle de Ballets and Die Entführung aus dem Serail. The Lighthearted Türkerei is conducted by Hans Graf in a Giorgio Strehler production in Luciano Damiani's decor and costumes. Pacha Selim's role is interpreted by Michael Heltan/Georg Sehluchter. Constance is sung by Gianna Rolandi and Belmonte by Barry McCauley. Paris Opéra. (7425750).

Gavin Bryers' Medea, after Euripides. The Opera is constructed in a traditional manner, but the orchestra is unusual. The costumes are by Franca Squarciapino. Théâtre des Champs-Elysées (7234777).

Spectacle Commedia dell'Arte: Harlequin, Magician Through Love in Ivo Cramer's choreography with Harlequin alternatively danced by Patrick Dupond and Rudolf Nureyev: Carnival in Michel Fokine's choreography and Leon Bakst decor and costumes with Patrice Bart alternating with Patrick Dupond in the role of Harlequin; Le Bourgeois Gentilhomme in Balanchine's choreography with Patrick Dupond and Rudolf Nureyev alternating as Cleonte. Opera Comique-Salle Favart (2960811).

LONDON

Royal Opera, Covent Garden: Thomas Allen, arguably the leading Don Giovanni of the day, gives his first Covent Garden account of Mozart's most demanding baritone role. Also in the cast are Makvala Kasrashvili, Barbara Daniels, John Tomlinson and Stuart Burrows; Arnold Ostman, admired conductor of the *Stockholm Drottningholm Opera*, makes his Royal Opera debut.

English National Opera, Coliseum: Cosi fan tutte, a small-house opera which in John Cox's elegant production survives the expansion in London's largest theatre, returns with a cast led once again by Felicity Lott, and introducing such Mozartian newcomers as Jean Rigby, Meryl Drower and Christopher Booth-Jones; Peter Robinson conducts. Further performances of David Pountney's wilfully poetic production of Dvorak's Rusalka, and Arabella with Josephine Barstow in the title role, and of Patience, the ENO's best attempt yet at Gilbert and Sullivan. Josephine Barstow is also repeating her much praised performance as Janacek's 339-year-old heroine of The Makropolos Case, in David Pountney's production which returns to the Coliseum this week, conducted by Richard Armstrong.

Sadler's Wells, Rosebery Avenue: The London Contemporary Dance Theatre is performing two programmes this week, changing on Tuesday.

NETHERLANDS

Scheveningen, Circus Theatre. The Netherlands Opera with Puccini's La Fanciulla del West directed by David Pountney. Cast headed by Karan Armstrong and Henk Smit, with the Utrecht Symphony Orchestra and the Netherlands Opera Choir conducted by Bohumil Gregor (Thur). (558800).

Arnhem, Stadsschouwburg. The National Ballet with works by a new generation of choreographers (Fri). *(422741)*.

Utrecht, Stadsschouwburg. The Netherlands Opera production of Don Giovanni, with John Broecheler in the title role and Roberta Alexander and Ashley Putnam in other leading parts, the Netherlands Chamber Orchestra and the Opera Choir under Edo de Waart and Ed Spanjaard, with the National Ballet (Tue). (310241).

WEST GERMANY

Frankfurt, Opera: La Bohème, produced by Volker Schlöndorff, has Yoko Watanabe as Mimi and Luis Lima as Rodolfo. Manon Lescaut has Rosalind Plowright making her debut in the title role. Guiseppe Patane conducts Tosca with Maria Slatinaru and Luis Lima. Ein Maskenball rounds off the week.

Stuttgart , Württembergische Staatsoper. There was much praise for Der Rosenkavalier with Karan Armstrong, Doris Soffel and Helen Donath. La Cenerentola has Milako Vargas, Maria Husmann and Helen Schneidermann in the main parts. Also on offer is Die lustigen Weiber von Windsor and The Marriage of Figaro.

Berlin, Deutsche Oper: Der Troubadour is conducted by Herbert von Karajan. Hänsel and Gretel has Janis Martin and Gerd Feldhoff in the title roles, and Die lustigen Weiber von Windsor, Kaja Borris and Alfred Kuhn in the main parts.

Hamburg, Staatsoper: The controversial production of Boris Godunov by Kurt Horres has Kurt Moll in the title role. Hänsel und Gretel brings together Elisabeth Steiner and Jutta-Renate Ihloff in the title roles. The Magic Flute has Celina Lindsley as Queen of the Night.

Cologne, Opera: This week's highlight is Salome with Lisbet Balslev in the title role. Also The Magic Flute, produced by Jean-Pierre Ponnelle.

NEW YORK

Metropolitan Opera (Opera House): The week includes Klaus Tennstedt conducting the first seasonal performance of Elektra, James Levine conducting Simon Boccanegra with Sherrill Milnes playing Verdi's powerful doge, in addition to the repertoire of Il Barbiere di Siviglia conducted by Silvio Varviso with mezzosoprano Julia Hamari and baritone Leo Nucci; Manon Lescaut conducted by Nello Santi, as well as Jean Pierre Ponnelle's new production of La Clemenza di Tito conducted by James Levine: Lincoln Center (362 6000).

New York City Ballet (New York State Theater): The 81st season continues its tribute to George Balanchine with mixed programmes of Balanchine, Robbins and Martins choreography. Lincoln Center *(870 5570)*.

WASHINGTON

Washington Opera (Opera House): The season continues with a new production of La Sonnambula and a revival of Menotti's The Medium & The Telephone. Kennedy Center (254 3770).

CHICAGO

Lyric Opera *(Civic Opera)*: *J. Patrick* Raferty is Figaro and Kathleen Kuhlmann is Rosina in Il Barbiere di Siviglia and Eva Marton continues in the new production of Richard Strauss's Die Frau ohne Schatten; Carmen stars Alicia Nafe and Maurizio Frusoni as Don Jose. (332 2244).

ITALY

Naples: Teatro San Carlo: The season opens on Dec 4 with Verdi's Macbeth (a co-production with the Bayerische Staatsoper of Monaco) conducted by Riccardo Muti. The scenery is by Giacomo Manzu and the singers Renato Bruson, Elizabeth Connell, Veriano Luchetti and Agostino Ferrin (Tues) (418266).

Rome: Teatro dell'Opera: Jerome Savary's new production of Mozart's Don Giovanni, conducted by Peter Maag, with Silvano Carroli, Mariana Nicolesco, Winifred Faix-Brown and Bruno Pola. (461755). Teatro Olimpico Piazza Gentile da Fabriano: A 'Festa' of Arab and Flamenco dancing, accompanied by Cantaores, Guitarists, Percussionists, Bongo players and Moroccan orchestra. *(Wed; Thur 4.30). (3801752 or* 393304).

Florence: Teatro Comunale: Zeffirelli's production of La Traviata conducted by Carlos Kleiber with scenery and costumes also by Zeffirelli: with Cecilia Gasdia, Peter Dvorski and Giorgio Zancanaro (Wed). (218253).

Strong demand for English furniture

Antony Thorncroft

After Sotheby's record price for a Turkish artist of £63,800 on Wednesday comes Bonhams auction best for an Irish Impressionist yesterday. "A Christmas party," painted in 1900 by Walter Osborne, sold for £52,000 as against a £20,000 top estimate.

But the major sale of the day was at Christie's which sold English furniture for £1,571,832, with just 2 per cent bought in. A George III satinwood and marquetry cabinet-on-stand, made in the 1770s for the Earl of Craven, sold for £140,400. Christie's sold it five years ago for £30,000, a good indication of the rise in price for the best English furniture.

Kentshire, the London dealer, paid £75,600 for a Regency satinwood breakfront secretaire bookcase, while another London dealer, Blairman bought a pair of George III satinwood commodes for £59,400, and a third, Abdy, acquired a pair of Regency mahogany and ebonised bergeres for £54,000. A pair of Regency oak and Chinese lacquer side cabinets fetched £51,840, around three times forecast.

Sotheby's completed its sale of the Van Veen collection of children's books in Amsterdam with a record price for an 18th century scrapbook of £5,604 paid by an American dealer for 135 pages of illustrations carefully cut in silhouette style from contemporary prints, probably in Germany.

In London the top prices in the morning sessions were £18,700 for a Morris and Co *embroidered three-fold screen* made in 1889 for the Sanderson family, and £17,050 for twenty four George III dinner plates made by Robert Garrard in London in 1816.

At Bloomsbury Book Auctions the beautifully bound books of the late W. R. Jeudwine attracted high prices from dealers. The Lords Prayer in 155 languages, produced in Parma in 1806, made £4,500.

Sotheby's has pulled off something of a coup in getting the Impressionist pictures of the late Florence J. Gould. It will sell them in New York on April 24-25 and this most important collection should total more than U.S.$25m, with a late work by Van Gogh, "Landscape with rising sun, St Remy," expected to exceed the previous best for a Van Gogh of $5.7m.

The executors of Mrs Gould, a long time resident of the *French Riviera*, had given Christie's the task of disposing of her jewels and Sotheby's handled her furniture, but the pictures, with works by Toulouse Lautrec, Gauguin, Cezanne, Pissarro, and Degas, make up the key sale.

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Tuesday December 4 1984

The selling of BT

LAST WEEK the British Telecom issue seemed to be going well. This week, it is going too well. An opening premium of around 45p was well ahead of anything the Government or its advisers could have been planning for and indeed, it represents a premium of some 90 per cent on the 50p-a-share first instalment.

Later yesterday afternoon the price slipped back a little and it is possible that something of an artificial shortage has developed at these early stages. The shares allocated to UK private investors have been split up into more than 2m individual small lots of between 200 and 800 shares. Many of these shareholders will wish to retain the shares for the longer term and few of the rest will wish to risk selling before their allotments are officially confirmed next week. This leaves the big British institutions' chronically underweight in a stock which will form around 6 per cent of the FT-Actuaries All-Share Index, to chase BT shares in a thin market. Perhaps the balance may be partially corrected in a week or two—but not soon enough to avoid some political embarrassment.

At last night's price, after all, the Government has sold BT for some £1.3bn less than its initial stock market value. Much of that paper profit has gone to small British investors — but some £180m has gone to foreigners, after the extensive marketing efforts in the U.S., Canada, Japan and elsewhere. Every new issue has to offer a profit to tempt the investor, back with BT the calculations have clearly gone awry.

Risks

At almost £4bn, the BT issue always carried substantial risks for the Government and its advisers. It was the largest equity offering yet launched anywhere in the world, so it involved a substantial leap in the dark. The biggest danger perceived during several years of planning was that it would simply prove indigestible. So it is perhaps not surprising in retrospect that the marketing — including the hard sell to UK private investors, and an extensive worldwide campaign—proved almost too successful.

The sponsors have been hemmed in by the inflexible requirements of such a huge issue—the fixed timing, the huge advertising campaign, the complexities of a multinational issue flotation. In the event, they have not been sufficiently responsive in their pricing. The mistake is being exaggerated by the political need to distribute the shares to millions of individual shareholders, rather than in a way which may reflect more accurately the underlying pattern of demand. The payment by instalments—allowing the Government to massage the public sector borrowing requirement over three consecutive financial years—has increased the speculative element.

Post mortem

There will now be a post mortem in the City on the BT issue. It will be pointed out that the issue took place in exceptionally favourable conditions, with the London stock market repeatedly hitting new highs. That explains part of the apparent underpricing. It would also seem that the issue's sponsors were over-impressed by the caution of British institutional investors—an easy judgment to make with hindsight, but far less easy in the spring and summer.

Some 2.3m Britons have been allocated shares. In itself, this is an extraordinary achievement. But at the same time the institutions have been starved of stock. A substantial percentage of the capital of BT is now likely to be transferred to the institutions at a premium over a period of weeks and months—and only time will tell how large BT's shareholders' list will eventually be when it stabilises.

The Government sees wider individual ownership of the corporate sector as bringing it substantial political rewards, just as wider individual ownership of housing has in the past. Yet to attempt to redistribute shares without recognising the institutional realities is to tackle the symptoms but not the cause. A much wider review is needed of the institutions' tax and marketing advantages. Otherwise, the big funds will always be able to afford to pay what is needed to prise shares from private investors.

A lesson from Australia

AUSTRALIANS obviously like general elections. No other country in the world seems to have so many of them—not even Ireland. There was a whole string of them in the 1970s, then March 1983 when Mr Bob Hawke came to power, and now this month when he returned with a smaller than expected majority. In Australian parlance it is called "cutting down the tall poppies."

Even the maximum term for an Australian Parliament is only three years—shorter than in any comparable democracy—and few prime ministers seek to stay that long without going to the country.

The system seems to work after a fashion. There is no great popular demand for electoral reform. Mr Hawke has proposed a switch to four-year parliaments, but it seems likely that little more will be heard of the idea. There was also a referendum which sought to bring the elections to the House of Representatives and the Senate into line. It was defeated. Referendums in Australia are nearly always defeated, even though the people like holding them.

That is one type of participatory democracy. But note the adjective: Australians do participate. Indeed by frequently and compulsorily voting they provide almost a running commentary on what they think of the country's affairs.

Comparisons

The Australian example prompts comparisons with elsewhere. Switzerland is another case of a country which regularly gives its citizens a say through referendums. The French do it sometimes, yet their electoral system has other drawbacks: for instance, the seven-year presidency which most of the Presidents of the Fifth Republic have wanted to shorten, but have not succeeded in doing.

A two-term French president is in office for too long.

This business of the electoral law and the electoral system shapes a country. If the former President Valéry Giscard d'Estaing had been able to hold a presidential election earlier, there might have been no President Mitterrand. Equally, if Britain had fixed-term parliaments, Mrs Thatcher would not have been able to go to the country last year and there might not be such an overwhelming Conservative majority in the House of Commons today.

The British Prime Minister, like Mr Hawke, was opportunistic, though in her case it paid off more handsomely: at least in the short term. There are other ways in which the opportunism still looks pretty blatant. The price of the premature election was the rushed manifesto, some of the consequences of which the Government is still having to live with. It might have been wiser, for example, to have thought out in advance how to abolish the Greater London Council and the metropolitan bodies, and what to replace them with, rather than to have made a blanket manifesto commitment. A great deal of parliamentary time and government embarrassment would have been spared.

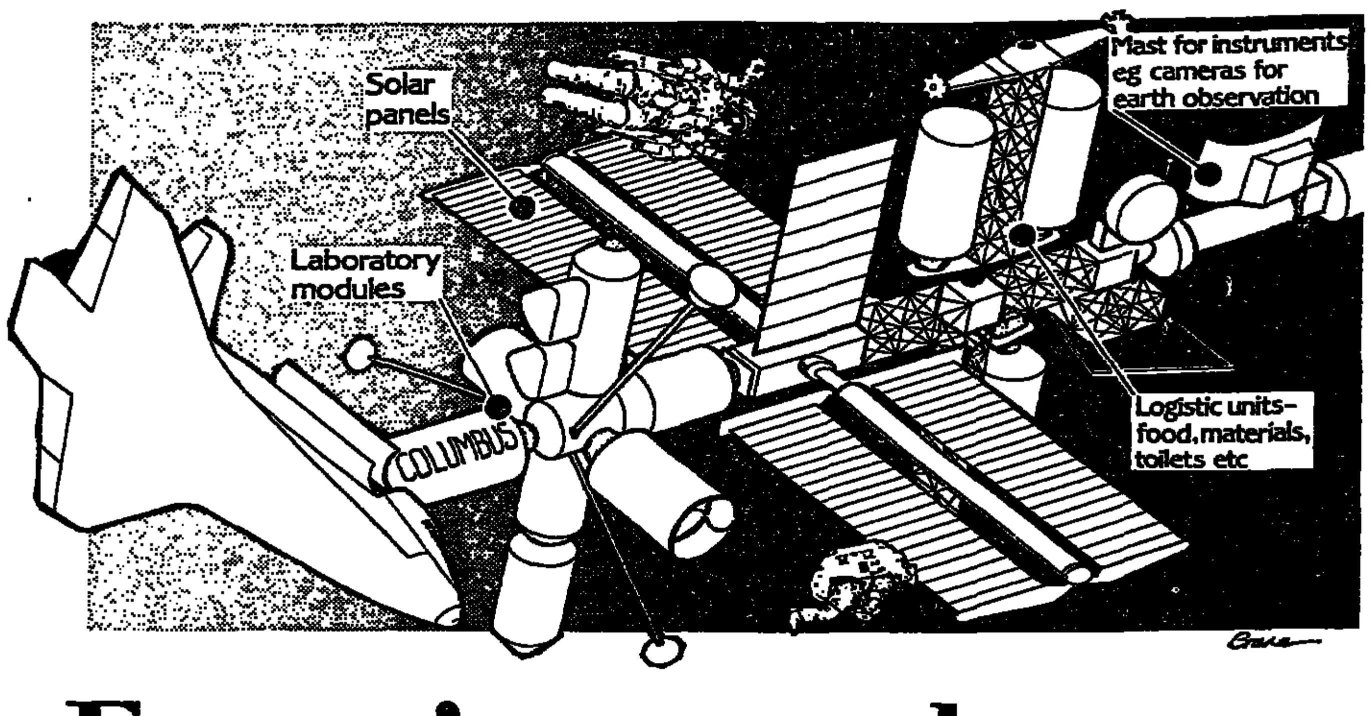
Arbitrary

It may also be argued that the decision to go to the country early has distorted British politics for half a decade. The Conservative Party's huge majority in the Commons does not really reflect the mood of the country. It reflects the electoral system. Although the Tories did very well in 1983, they still won way under 50 per cent of the vote. They won partly because of the divided opposition. Proportional representation would have provided Parliament with a quite different composition.

It would be idle to pretend that there are going to be any great changes in the foreseeable future, for the trouble with electoral reform is that it has to go through Parliament and Parliament can seldom agree: witness the failure to reform the House of Lords in the 1960s or the contortions over the demand for a Scottish Assembly in the 1970s.

Yet it would be equally foolish to go on thinking that the British system is somehow ideal. It lacks the participatory character of the Australian or the Swiss. It lacks the checks and balances of the Americans or even the French, under both of which different elections are held at different times. It lacks the near fixed-term parliaments of West Germany. It is a bit too arbitrary for comfort. Some of those Tory backbenchers who seem to have nothing to do but rebel may find time to have a look at it.

DECISION DAY APPROACHES



Europe's space planners come down to earth

By Peter Marsh

WESTERN EUROPE has just over one month in which to decide how seriously to take the notion of establishing a permanent base in space by the end of the century.

Politicians in the continent's capitals, most of them concerned enough over terrestrial public-spending issues such as hospitals and roads, must make up their minds by next month on whether to inject over the next decade up to $1.9bn into a manned space station for esoteric projects such as satellite docking and gravity-free factories.

The cash would be spent in response to President Reagan's request, made just under a year ago, that Europe should join the U.S. in building the space base by 1992.

According to proponents of the space station, the project would give governments and companies experience in building large space structures of the kind that may be important in the next decade, for example to act as a base for observation of the earth for military purposes, the repair of orbiting satellites or for big antenna "farms" for communications.

Further, some engineers predict that commercial opportunities will eventually arise in using such orbiting outposts for space factories which, harnessing the conditions of zero gravity and vacuum, could turn out materials difficult or impossible to make on earth.

Companies from, for instance, the drugs and materials-processing industries that use the station could therefore gain a foothold in establishing a new kind of commercial enterprise that may become important after the year 2000.

Part of the President's strategy is that any role in the project played by Western countries (Japan and Canada were also included in the invitation) will cement the ties between the U.S. and the rest of the democratic world.

Extra finance provided by other countries could also extend the capabilities of the station, to which President Reagan has committed $8bn of public cash to be spent under the direction of the National Aeronautics and Space Administration.

Western Europe will give its formal response to the offer at a conference of technology ministers in Rome on January 30-31. The meeting will be under the auspices of the 11-nation European Space Agency (ESA), the body set up in 1975 to co-ordinate the continent's activities beyond the atmosphere.

Officials of the Paris-based ESA have set the tone for the gathering with a series of ambitious proposals which together would push up the agency's annual budget over the next few years to around $1.12bn, an increase of 50 per cent.

The plan calls for extra finance for satellites in areas such as telecommunications and scientific studies together with a proposal to spend nearly $2bn on a new, heavy-duty form of Western Europe's Ariane rocket.

The key element, however, is a scheme backed mainly by West Germany and Italy to build a special module called Columbus that would plug into the U.S. station and house several people as well as scientific experiments.

Columbus could be a stepping stone on the road to an independent European space station by the year 2000, according to some experts.

"With the economic crisis in Europe, high technology is considered our saviour—everyone is for it," says M George Van Reeth, a veteran Belgian lawyer who is ESA's director of administration.

But discussion about the usefulness of a space station needs to go further than generalised sentiments about the likely benefits of government spending in technical areas.

The point was addressed forcefully in a recent report by the Office of Technology Assessment (OTA), a research body of the U.S. Congress, which said the space station "cannot now be fully justified on scientific, economic or military grounds or combinations thereof."

The report's authors criticise the way Nasa (a powerful body with an annual budget of some $7½n) has used its influence in pushing for the space station, without properly thinking out the objectives.

According to the OTA, engineers could extend mankind's capabilities in space through cheaper alternatives to a manned base, for example by unmanned robot platforms or by developing the space shuttle to fly for longer periods than the current maximum of 10 days.

The response to this path of reasoning of many space enthusiasts is that plans for orbiting outposts are at too early a stage for technologists to promise specific returns.

According to Prof Reimar Lüst, an eminent German scientist who in September took over as ESA's director-general, the world is at a similar stage to the 1960s, when engineers were experimenting with rockets to lift communications satellites into the heavens.

In those days, putting cash behind rocket and satellite technology was judged a risky pastime. This activity now adds up to a highly important and profitable industry, as is displayed by the success of Western Europe's Ariane rocket, which was developed with $1bn provided by ESA's member governments.

The OTA report says that U.S. companies' annual space sales, most of them connected with satellite projects, total some $2bn a year, generating $500m a year in taxes.

Prof Lüst argues: "I am convinced that if the space station exists, then scientists and engineers will be able to use it—in earth resources (scanning the earth with high-resolution camers), materials processing and the servicing of satellites.

"It's important for the future of Europe that we compete with America and Japan.

The point is pressed home by M Frederic D'Allest, head of the French space agency (CNES).

"The situation is similar to when you build a radio telescope or a Joint European Torus (the pan-European nuclear-fusion project). You do this not to obtain an industrial return but to develop further knowledge from research."

As the representative of a government traditionally committed to autonomy in key strategic areas such as defence and nuclear power, M D'Allest emphasises that involvement by the Europeans in the U.S. plan is only a means to acquire technology that will later be used independently.

A key part of this attitude is the emphasis by CNES on plans for Hermes, a manned space vehicle that would be carried into orbit aboard Ariane-5, a new and powerful rocket that, funds permitting, will be built by the 1990s.

The key element is a scheme to build a special module called Columbus

Hermes would be a miniature version of the U.S. space shuttle—it would visit orbiting platforms such as the U.S. station and return to earth.

Whereas the space shuttle has a dual role (which undoubtedly pushes up operating costs) as a transporter of satellites and of people, Hermes would be specifically tailored to take astronauts into orbit for jobs such as the repair of satellites or maintenance of orbiting factories.

The task of lifting communications satellites into the much higher geostationary orbit 36,000 kms above the earth would be left to unmanned rockets such as Ariane which, says CNES, does this job more efficiently than the shuttle.

M D'Allest also says France will proceed with Hermes on its own if its European partners fail to agree on the vehicle's importance. Development costs for the project are put at $1.35bn over a decade.

France is Western Europe's leading nation in space technology. CNES has an annual budget of some $540m (FFr 5bn), more than five times Britain's spending in this area.

France and West Germany (Western Europe's second biggest paymaster in space) account for nearly half of ESA's yearly budget.

This sum is provided by the agency's 11 member governments (the European Community minus Luxembourg and Greece but plus Spain, Switzerland, and Sweden) on the basis that work on space contracts is shared out among industries according to the percentage of the budget contributed by an individual nation.

While most space-related activity in Western Europe continues to be organised through ESA, the agency's work-sharing method adds up to a system of commercial subsidies on a European scale, ensuring that those governments most committed to space ventures build up the most capable industries.

It is these industries—represented by companies such as Aerospatiale and Matra in France, MBB-Erno in West Germany and the UK's British Aerospace—which stand to gain in the short term from any decision in January to proceed with Columbus.

According to ESA planners, definite specifications for the module would be worked out by 1987, ready for construction to proceed in step with U.S. work on the space station.

In the designs emerging from Nasa drawing offices, the orbiting base would comprise a central core that contains power and communications equipment, accommodation units for six to eight people plus a "logistics module." The latter would act as a warehouse for food and other supplies (it could also contain chemical toilets) and would be exchanged for a new unit every three months by a flight of a space shuttle.

Columbus would be one of several scientific laboratories that could be docked with the base. The Japanese Government is considering whether to supply a similar module. Part of Columbus could be a separate, unmanned platform, which British Aerospace is interested in building.

The exact terms of any agreement between the U.S. and other countries will be the subject of much legal scrutiny. Any broad undertaking by Western Europe in January to join in the project will probably need to be sealed by a watertight memorandum of understanding between ESA and Nasa together with separate treaties between the U.S. and all the European agency's member governments.

This strategy is to ensure that one partner does not pull out—a new U.S. president in 1988, after all, may not be so keen on grandiose space projects—leaving the other stranded.

Furthermore, European space planners still need to be convinced that their U.S. counterparts will meet their requirements over the exact role of foreign companies and governments in the space station. The mai nareas that need to be resolved are:

- Ease of access to the base: France, in particular, is adamant that the U.S. must allow Ariane-derived vehicles, not just the shuttle, to dock with the platform.
- Commercial competition. European governments want the U.S. to agree that companies can work in the station in commercial confidence, perhaps on new ways of growing crystals or processing metals, without having to give away their secrets to other parites.
- Maintenance costs. According to some estimates, annual running costs for the space station could come to $1m-$2m. The sum includes four supply flights a year by a space shuttle plus any repair work. Governments in Western European countries want to be assured over what portion of the sum will be their responsibility.

Despite public spending constraints, Europe looks certain to give a generally positive response to the U.S. invitation. This is on the grounds that the cash spent on Columbus will give Europe a stake in an area of research and industry that promises to pay dividends.

The biggest question mark over th eexercise is not whether establishing an "infrastructure" to do work in space is important. It is whether the venture to build a grandiose space station in one fell swoop is the correct way to achieve this.

It is up to Europe's engineers and planners to work out a way to benefit from the Nasa work in building the station without being over-reliant on the U.S. The best course could be to spend a modest sum on Columbus as very much a self-contained module that could either be linked to the space station or form an autonomous unit in orbit as part of an independent European space station.

Men and Matters

Stockton abroad

The British Council has survived almost constant attacks in its 50 year history. It was for long the butt of Beaverbrook's newspapers and the subject of frequent Government reviews and budget cuts culminating in a Think Tank recommendation in 1977 that it should be abolished.

But from an original Government grant of £5,000 and only three offices abroad, it has grown into a significant part of Britain's overseas representation, spending over £180m with 133 offices in 80 countries.

It still feels threatened, however. The Council's main budget has been cut by 20 per cent in real terms since 1979, and now Sir Geoffrey Howe is lopping another 2½ per cent off it.

A shortfall of £2m next year could mean withdrawal from some Latin American countries or the Gulf, it says. And besides being unable to respond to new opportunities, it may have to cut its educational programmes.

It obviously hopes to be given a political boost at its birthday celebrations tomorrow by its guest speaker, the Earl of Stockton (Harold Macmillan that was).

Fresh from his highly successful debut in the Lords, Stockton has agreed to attend a lunch to mark the publication by rival publisher Jonathan Cape, of Frances Donaldson's history of the Council, and to say a few words afterwards about British influence overseas including, no doubt, the Council's importance in fostering it.

"That's one thing I can't stand —a bad loser"

DHSS-speak

For some years, Government departments have been under pressure to try to use English rather than jargon and gibberish, particularly those departments which have to deal directly with the public. The Department of Health and Social Security has been writing to people, many of them old, about the new social security rates.

Here is an example of the new clarity:

"Dear Mrs Smith, Your weekly benefit includes an amount for your normal living costs. It may also include an extra amount to help with special needs such as diet or heating. At present any extra amount you get is worked out in most cases by looking at what your special needs are, then taking away 50p a week which you are expected to meet from the money for your normal living costs. But the 50p is not at present taken away from any extra amounts you get for your heating needs. From November 26th 1984 this amount to be 'taken away' will increase from 50p to £1 and it will also apply to extra payments for heating . . ." and so it goes on.

Translated into English it means: From November 26 the benefit rules have been changed so that £1 a week will be deducted from the heating allowance.

Display rate

As if foreign exchange dealers did not have a hectic enough life—now, it seems, they will be able to take their work with them wherever they go, in the bath or on the golf course.

Reuters yesterday launched Pocketwatch, a pocket-sized screen looking rather like a small camera, with a liquid crystal display window which shows five of the main foreign exchange rates and a rate for Federal Funds.

For just £60 a month, the new screens will mean that dealers will always have the dollar rate for the yen, pound, Deutschemark, Swiss or French franc at their finger-tips.

Carol Nash of Reuters expects the Pocketwatch to appeal to the electronic snob in its use. Unless you can pull one out of your pocket over lunch to check your currency position, you will be nowhere in this highly competitive world, she says.

The device depends on radio-paging technology so will only work in a 50-mile radius of London—but that should cover the homes of most dealers. Reuters already has a similar system in use in Hong Kong.

Telerate, Reuters' big rival in the field of information technology, has had a similar but more complex device in use in New York since August. Its PDQ—Pocket Display Quotesystem offers more than 300 pages of foreign exchange, bonds and metals data for $195 a month.

Telerate is working on the introduction of this system in the UK but the launch is still some way off.

"We would have liked to be first in the market with a hand-held device," says Chris Hume of Telerate. "But we have to do it right—there is more to life than five currency rates and a rate for Federal Funds."

Paper box

The London Jewish Chronicle, the world's oldest Jewish newspaper (143 years on the streets) has been given a second line of defence against unwelcome takeovers which David Kessler, aged 78, chairman, likes to call "predators."

Not content with the protection of a special trust headed by Lord Goodman, the Kessler family which holds 80 per cent of the paper's shares, is surrendering its dominant position to a charity, the Kessler Foundation, which will be similar in style to the Guardian newspaper's Scott Trust.

The sixman foundation will include Peter Oppenheimer, Oxford economist and purveyor of awful jokes, Rothschild director Alex Rosenzweig, and historian Judge Israel Finestein, in addition to Kessler, his editor, and his managing director.

Kessler says the JC, which prints 50,000 copies a week, "keeps its head abovewater."

But it has always been vulnerable to a takeover bid and he is determined that it should never become, in his words, "a businessman's bauble like some of the Fleet Street papers."

Kessler's family has been connected with the JC since 1907. His father, Leopold, was chairman for 40 years and he himself was managing director from 1936 to 1973.

Kessler is also an authority on the black Jews of Ethiopia and the JC has recently been running its own campaign for Ethiopian famine relief.

Loose money

A Swiss banker picked up a new ha'penny from the floor while visiting the Bank of England.

Handing the coin to the teller he said, "Your books are a ha'penny out. It could never happen in Switzerland."

Observer

Letters to the Editor

Pricing people into jobs

From Prof R. Layard

Sir,—I am delighted that Samuel Brittan (November 22) supports the idea of pricing low-skilled workers into jobs by lowering their employers' National Insurance contributions. But he thinks it would help if I put forward proposals in the form of a new tax table. Let me do that.

The simplest thing would be to have a tax-free allowance of, say, £90, and then tax all earnings between that and the upper earnings limit. A restructured schedule along the following lines would raise roughly the same revenue as the present system.

Weekly Earnings (£ pw)	Employers' N.I. Now	Re-structured
50	5	0
90	9	0
140	15	15
200	21	33

Having a tax-free allowance would eliminate the jump in employers' National Insurance at the lower earnings limit. It would also concentrate the cut in liability most heavily on semi-skilled and unskilled adult males, for whom present policies are doing least.

If this change were made, the employees' contribution could remain unaltered and it would remain the basis for calculating a person's pension entitlement. This is in fact exactly what happened when the National Insurance Surcharge was levied on employers—it did not affect pension entitlements either.

National Insurance should also be modified in two other ways. Employers hiring long-term unemployed people should be exempt from National Insurance for two years; and, as Samuel Brittan suggests, no National Insurance should be paid in respect of increases in the number of man-weeks that an employer provides over his present level. Employers' existing National Insurance records provide an adequate basis for calculating this base level.

The £1.5bn that the Chancellor is considering using for tax cuts should be used to provide places for long-term unemployed people on the Community Programme. The tax cuts would (according to the Treasury model) provide under 100,000 jobs, while the same money spent on the Community Programme would provide 500,000 jobs—for the right people. This should be just what the Government is looking for.

(Prof) Richard Layard.
Centre for Labour Economics,
London School of Economics,
Houghton Street, WC2.

Law of the Sea Convention

From Mr P. Farr

Sir,—The UN Law of the Sea Convention has, with some noble exceptions aroused little public interest. Furthermore, much of the the public discussion has appeared to suggest that the convention is concerned with the mining of deep sea mineral resources — and with little else. This is unfortunate.

If, as seems likely, the UK is to join the small handful of countries out of the world community refusing to sign the convention, we should be clear as to just what it is that we are refusing to sign.

The convention is a comprehensive treaty, drawn up in painstaking detail, intended to bring an agreed order into the whole traffic of nations on, and under, the high seas and coastal waters. Sixteen out of the convention's seventeen parts deal with the limits of territorial waters, with the rights and obligations of coastal states, with the rights of landlocked states, with fishing rights, with pollution, and with rights of innocent passage through territorial waters and straits.

All of these are of vital concern, now, to any nation which lives by trade. All have been causes of conflict in the past: the convention provides at least a unified framework of international law for the resolution of conflict in the future. And virtually none of this is contentious.

One part only, out of the convention's seventeen parts, is disputed: that dealing with deep sea mining in the area beyond the 200-mile exclusive economic zones.

No one disputes the long-term industrial importance of the mineral resources concerned, nor the strategic significance of cobalt and manganese. Few would argue, in this single respect, that the convention is other than imperfect.

The as yet unanswered question is, however, that of when these marine resources will actually merit the priority which opponents of the convention appear to accord them in the 1980s and 1990s. For this is a matter of priorities, whatever may be argued about getting things right for some time in the 21st Century.

In every other sphere of national policy, from employment through housing to inflation and defence, we are quite clear that priorities must be set. We argue about order but not about the need to set them.

This case is no different. The shipping interests of this and other countries attach the highest importance to the convention. Is the Government so certain of the importance to this country of future deep sea mining that it must have priority over all other maritime interests?

Perhaps it is, and perhaps it should have. But, if so, those whose concerns are being over-ruled have a right to know; and to know the solid evidence on which this view is based.

P. J. Farr.
O. W. Roskill Industrial Consultants,
2, Clapham Road, SW9.

New technology is risky

From Dr J. Toporowski

Sir,—I am disappointed that all the correspondents whose responses to my article on new technoolgy and industrial policy (November 14) you published seem to have missed my point. I do not (and my article did not) advocate the liquidation of the computers and electronics industries. I certainly do not believe in the pastoralisation of the economy, which seems to be proceeding quite well under the existing industrial policies that my article was intended to criticise. It is a queer sort of Luddite who argues for the modernisation of industry.

The main point of my article was that new technology is risky, costly and disruptive and that these risks, costs and disruptions increase the more that is committed to raising new industries. They are minimised by adapting and introducing new technology to existing industry. This "organic" form of innovation I contrasted with the sunrise/sunset industries approach, which sees the decline of existing industry as a necessary accompaniment to or condition for the rise of new industry.

Messrs Emanuel and Garrard (November 19 and 20) seem to be arguing that new technology is worth having regardless of economic, social and commercial considerations. This is precisely the kind of sanguine approach which increases the risks that, having gambled all on new technology, we lose all. Dr Mackintosh (November 22) would have us producing whatever our competitors are producing in order to emulate their success. I am not convinced that this form of "open autarchy" is a better basis for foreign trade than specialisation in comparative advantage. Indeed, I suspect that much of our competitors' success is due to their having set out to produce what their competitors were not producing, rather than what they were already producing quite adequately.

I am pleased that Mr Wood (November 28) mentioned the motor-car industry, since this was an example which had to be edited out of the original version of my article. The motor-car industry of the 1920s and 1930s did not grow out of the ashes of the textiles and clothing industry but, as the citizens of my native Oxford know, out of Lord Nuffield's bicycle workshop.

(Dr) Jan Toporowski.
London Economic Policy Unit,
Polytechnic of the South Bank,
London Road, SE1.

Selling property in Switzerland

From Mr L. Palmier

Sir,—June Field (Property—November 10) correctly mentions that foreigners may sell property only to Swiss. She could with advantage to your readers have drawn out the consequences of this rule. In effect, Swiss properties available to foreigners are priced at an international level; comparisons are frequently made with similar properties in holiday resorts in other parts of the world.

When it comes to selling such properties, however, the foreigner has only the Swiss market as his recourse. Not only is it very small, but the Swiss are hardly noted for extravagance, and the price level is consequently considerably lower than the international.

In brief, nobody should buy a Swiss property without first making his own (I emphasise his own) inquiries into what Swiss nationals are paying for others like it. At least, then, he will have an idea of what his selling price is likely to be.

Leslie H. Palmier.
9 St Catherine's Close, Bath.

TUC guidelines for pickets

From Mr J. English

Sir,—Is it not high time that the TUC made it abundantly clear that it will only "support" those unions which in turn support the TUC's own guidelines that a picket consists of not more than six men, acting peacefully?

Jeffery English.
Hangovers,
Brockenhurst,
Hants.

Selective finance for students

From Mr R. Crum.

Sir,—Your leading article of November 26 though cogent is less than fair. There are four sets of beneficiaries of further education and training: (i) the students, who receive higher incomes in the future; (ii) firms, who receive employees with much technical training of an expensive type, for which at present they pay nothing; (iii) society at large, which obtains a workforce trained to think in a flexible manner, which appears to be an increasing necessity; and (iv) the parents, who obtain a purely psychic income. It follows that all four sets of beneficiaries should contribute towards the costs and that includes both the taxpayers and firms. In particular the record of UK industry on training is known to be poor, partly because it has accepted the free training provided by the state. Sir Keith Joseph's imposition of large-scale payments on parents alone is essentially unjust in that it neglects to levy the other *parties who have a much greater* vested interest than parents.

Besides the obvious political question two other points need to be made. The Government is said to believe in markets and the price system. It has just hoisted a large flag that says quite clearly that it does not want an educated and trained labour force. The decision made on parents contributions was imposed without prior discussion and as a Ministerial fiat. It follows the recent decision on prescription drugs, issued in the same way. Any pretence of Green Papers and discussion of changes has now been abandoned and we are governed by dictatorial dogma. The pension industry is right to be concerned about prospective tax changes; they are likely to appear in the same manner. And who is next?

If we accept that parents have to pay for the training of their adult children why is the principle to be so selective? If a child becomes an Army officer he receives a long and very expensive training together with a reasonable salary and all at public expense. Why are his parents not to be forced to contribute for the future? The principle is entirely the same, it is entirely the prejudice of ministers that distinguishes between the Army officer trained in modes of death and destruction and the B.Sc in chemistry or computing.

R. E. Crum.
89, Hall Road, Norwich.

A high degree of humbug

From Mr E. Cownie

Sir,—Mr Miller's criticism (November 28) of your Lombard article on imposing VAT on books would be more convincing if the book trade did not operate, what seems to me to be, a rigid restrictive practice of price maintenance. How is this justified against the background of the arguments of the young children who are illiterate, and the damage that would be inflicted on education argued so strongly by Mr Miller?

It seems that the book trade does not only publish a lot of rubbish, but is guilty also of a high degree of humbug.

E. H. Cownie,
14 Shortlands Road,
Bromley, Kent.

The 30-Share Index at 1,500

From Mr E. Bateman

Sir,—In his feature (November 28) on the FT Index, Richard Lambert does not mention the unique feature of the 30-Share Index, i.e. that it is not the arithmetical mean or average of its constituents but the geometrical mean.

For two quantities, say 100 and 900, the average is 500 but the geometric mean is only 300. This method was adopted by Sir Richard Clarke so that the value of his Index could be rapidly calculated from the percentage movements of the individual components in those far off days long before our present calculators and computers had been dreamed of.

Sir Richard's method of calculation was adequate for small changes in share values, but after nearly 50 years the drift has become so large that this "Index" grossly undervalues the portfolio value of the constituent investments.

A satisfactory correction can easily be made by assuming an initial value less than 100 for the base of the Index. In 1975, not long after the publication of Sir Richard's posthumous article on his Index, an adjusted value of 60 for the base of the Index was generally agreed by the Institute of Actuaries as being relevant. The true figure today nine years later may be nearer 50.

The abiding importance of the FT 30 Share Index is that it takes us back almost to the beginning of our current era of falling money's worth. In 1935, after 15 years of negative inflation, the cost of living index was only about 50 per cent higher than in 1914, the end of a long period—nearly 150 years—of stable money.

With an assumed base value of 60, an Index figure of 900 represents a portfolio value of 1,500. If the Index had been calculated as a simple average, instead of as a mathematical fiction, it would be standing well over 1,500 today.

E. H. Bateman.
2, Howard Lodge,
Mount Sion,
Tunbridge Wells,
Kent.

Extra-territorial jurisdiction

From Sir Alan Neale

Sir,—There is a risk of misunderstanding if commentators, fail to distinguish clearly between the issues in the Laker affair and those raised by the extra-territorial application of the U.S. anti trust laws.

The issue about extra-territoriality arises from an American doctrine that U.S. jurisdiction may be legitimately invoked against cartel agreements made outside the U.S. by non-American parties simply on the basis that such agreements have foreseeable effects on American commerce. This so-called "effects doctrine" is contested by many British and other lawyers on the ground that it extends U.S. jurisdiction beyond acceptable limits, and it is a serious matter of dispute between the U.S. authorities and others.

Where, however, foreign firms are actively engaged in business transactions within the U.S., it is not in general disputed that they must observe the anti-trust laws just as other visitors must respect local traffic or liquor laws. International sea and air carriers inevitably transact business, eg, buy fuel and other supplies, sell their services, operate maintenance depots, in all the countries they serve; and each of these countries may claim a valid basis for jurisdiction.

What is essential in this situation is that governments accept the need to negotiate agreements and conventions to ensure that the carriers are not faced with conflicting and irreconcilable requirements as they pass from one jurisdiction to another. Such agreements should establish unambiguously what practices are protected from and what remain vulnerable to local legal action. Otherwise an undignified impasse can arise among friendly nations whereby country A may require the carriers of country B to adopt trading practices which at the same time the carriers of country A are forbidden to adopt in country B. Given widely different philosophies around the world, eg, on rate-fixing, it is no easy task, as the Laker affair illustrates, to make such agreements and continue subsequently to agree on their interpretation. Hence challenging problems remain in this area; but they are distinct from the problem of the U.S. claim to extra-territorial jurisdiction.

(Sir) Alan Neale.
95 Swains Lane, N6.

Heavy pocket-tearing metal

From Mr S. Eadie.

Sir,—The phasing-out of the £1 note will significantly increase the amount of coins in pockets and purses, especially if two 50 p pieces are given in change when not enough metallic pounds are available. The sheer inconvenience of too much heavy change and nothing between £1 and £5 could be greatly alleviated by the introduction of a £2 note, on the analogy of the French Fr 20 when their Fr 10 banknote was replaced by a coin.

No other country will have a lowest-denomination note which is worth as much as £5; even the SwFr 10 is still equivalent to less than £3. Why must the British put up with so much pocket-tearing metal?

Sam Eadie.
4, Wotton Way,
Cheam, Surrey.

Cable television in Britain

A high stile to get over

By Raymond Snoddy

THE end-of-year editorial in Satellite and Cable Television News concluded on a suitably upbeat note of exhortation: "The industry must make sure, for the sake of its own future, that as the bad memories of 1984 fade there is some good news to tell the public — those who will subscribe and those who will invest."

If the good news comes along, it will not be carried in its glossy pages. Publishers Morgan-Grampian closed the magazine last week after only ten isues — a fate that could foreshadow the plight of much of the cable television industry in the UK itself.

Two years after ministers unveiled their dreams of hi-tech electronic highways of the future carrying business data and domestic interactive series and one year after the Government chose the "lucky" 11 pilot franchises which were to make the dream a reality, confidence is far from high.

● At least five of the pilot franchises face an uncertain future.

● The total number of homes in the country receiving extra channels of entertainment over the new "broad-band" cable is a mere 300—all of them in Swindon, the only one of the 11 to go "live."

● The City is deeply sceptical and the Government has ruled out general financial help for the industry.

● Visionhire and Rediffusion, two previously enthusiastic cable supporters, both decided to pull out of cable television in October.

Of the five franchises encountering difficulties, Merseyside is looking for someone to provide both its cable system and almost all the necessary finance after negotiations with British Telecom broke down. Mr Robert Maxwell has decided not to go ahead with a plan to take a 75 per cent stake.

Clyde has been trying since the summer to raise £10m in equity finance in the City. The board of Windsor Television will decide today whether to push ahead or delay its plans and Ladbroke has yet to take the final decision whether to go ahead with Ealing. (The franchise has still not got its Government licences because of a dispute over how fast the area should be cabled.)

And Guildford has been caught up in the decision by BET to sell its Rediffusion cable television interests to Mr Maxwell for £11m.

To varying degrees Westminster, Aberdeen, Croydon, Coventry and Ulster are seen in the industry as being more likely to make it.

The situation now seems delicately balanced and confidence — particularly among potential investors — is so fragile that any casualties among the pilots might have a disproportionate effect on the prospects for the next round of franchise applications early in the New Year. CIT Research, a new media consultancy, believes the present 6 per cent of the population with some form of cable will now grow only to 7.5 per cent by 1990 and 12 per cent in 1994.

Publicly the Cable Television Authority is saying the gloom has been overdone and emphasising the good news — that Rediffusion has signed up more than 70,000 subscribers a week on its existing upgraded relay systems in 36 towns and 20 per cent of first subscribers with cable pioneers Greenwich are paying £21.65 a month to take all the available channels.

But privately the Cable Authority admits the situation is potentially serious and fears that casualties among the pilots will reinforce the scepticism over cable in the City.

A consultant for a leading cable equipment company, who does not want to be named, believes a potential British lead is now being dissipated. He argues that the Government must set aside momentarily its exclusively free market approach to provide a modest "kick-start" for the stalled industry. But, despite the beneficial effect of the new regional aid provisions on a few cable operators, there is little sign of this happening.

Recently Mr Geoffrey Pattie, Minister for Information Technology, admitted there had been technical difficulties with the sophisticated switches needed for interactive services such as home banking and shopping and that costs had increased. He agreed the Chancellor's Budget decision to phase out capital allowances had not helped the new companies.

But Mr Pattie insisted: "I don't think it would be reasonable for anyone to be particularly disappointed by the rate of progress. Some people may have had unreasonable expectations that the whole thing was going to be whirring around by Christmas 1984."

Mr Pattie defends the decision to go for high technology from the outset rather than taking a more gradualist approach. "It was right to set what we considered the correct standards." It would have been wrong, Mr Pattie argues, to ignore technological developments that were about to happen.

"I start off from the basic position that cable is going to happen and that it will be successful," the minister said. If the success is not immediate, the Government now seems prepared to live with the decision of the marketplace on its resolve to go for high technology cable funded entirely by the private sector.

If that means some cable companies find themselves struggling on the "bottom rung looking up at a very high stile," Mr Pattie had cold comfort. "I may wish them well but that's all I'm planning to do," he said with all the force of a former Defence procurement minister with experience of special industry lobbies.

The Government is now hoping that Swindon will provide evidence that the consumer is prepared to pay. It is too early to say how the marketing battle there will turn out—the new broad band service was launched only on September 17—but it is clearly not a runaway success.

Of the 300 homes receiving the new service around 200 are on a free month's trial. (About 10,000 homes in Swindon take some cable services on the long established existing network.)

Mr Sebastian Crawshaw, chief executive of Swindon Cablevision, claims that when canvassers returned to homes where they had been unsuccessful 20 per cent changed their minds and agreed to take a free trial. In another street where the cable has yet to be laid more than 30 per cent had asked for the trial.

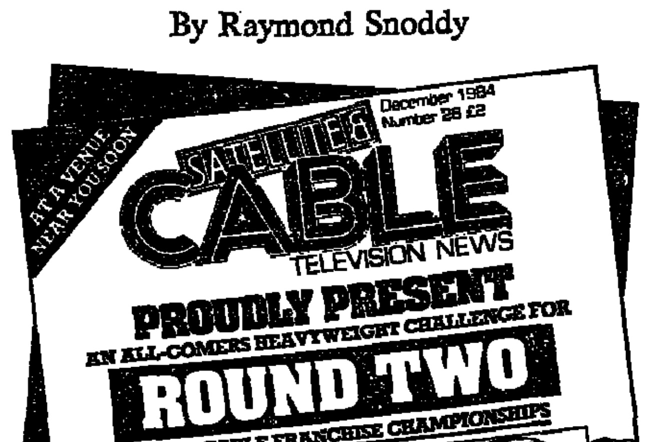
But Mr Peter Gosling, managing director of Thorn EMI Cable Television, which owns the Swindon company, has been allocated funds to run cable past only 5,000 homes. After that he has to go back to the board for more.

Mr Gosling, who is also chairman of the Cable Television Association, would like the Government to give Swindon a £5m interest-bearing loan to see as quickly as possible whether cable is viable or not in one area.

"If we could prove that there really is public demand the City would be falling over itself to invest, Mr Gosling said.

The consequences of delay will be most serious for the providers of cable programmes such as Screen Sport, the cable sports channel. *Many in the industry* believe the only way of boosting the market in the short term would be to license small existing master antenna cable systems, often in council estates, to take the new services. This would be a long way from the Government's high technology aspirations.

But Mr Richard Street, former programmes controller at Screen Sport, now a consultant, warned recently: "It may not be an exaggeration to suggest that unless the Government takes action along these lines — and speedily — the programme supply industry could fail to achieve that critical mass of paying customers necessary to prevent serious —even catastrophic — economic decline."



It's a knock-out: a cable magazine's last cover page.

FINANCIAL TIMES
Tuesday December 4 1984

Textron's increased $1.38bn Avco bid accepted

By William Hall in New York

TEXTRON, the U.S. conglomerate, has increased its offer for Avco, another diversified New England group, in an agreed $1.38bn deal.

The company, which announced a surprise $47 per share bid for Avco last Friday, yesterday revealed that it had increased its offer to $50 per share cash. The offer has the unanimous approval of the Avco board. In order to fend off rival bids, Textron has been given an option to purchase 4.3m shares of Avco common stock.

The combination of the Rhode Island-based Textron, often regarded as the first U.S. conglomerate, and the Connecticut-based Avco, will create one of the biggest companies in New England, with annual sales of more than $6bn, net income of more than $300m and a workforce of 67,000.

Avco, which is the more profitable of the two companies, earns more than half its profits from financial services but has important interests in propulsion systems and aerospace technology.

About a third of Textron's profits come from aerospace, and its Bell Helicopter operation has contributed more than a quarter of total profits in previous years. It also has important interests in engineering fasteners and outdoor products.

Both companies have performed poorly in recent years and have been the subject of considerable takeover speculation. Textron fended off an unwelcome $1.8bn takeover bid from Chicago Pacific in October, and Avco has rebuffed several takeover approaches, the most recent of which from Mr Irwin Jacobs, the Minneapolis financier, who owns 12 per cent of Avco.

Textron has denied that its bid for Avco is a defensive move. Mr B. F. Dolan, who will take over as chief executive of Textron on January 1, said yesterday that the acquisition would "enhance Textron's already strong aerospace sector. In addition Avco's financial services businesses will add a significant new business segment to complement Textron's consumer, industrial and aerospace sectors."

Mr Robert Straetz, Textron's chief executive and chairman, said that "the acquisition should benefit all Textron stockholders through increased earnings, earnings per share and return on equity."

Textron shares, however, continued to fall yesterday after the news of the bid and by midday were $1⅞ down at $32⅛. This compares with the $43-a-share Chicago Pacific offer earlier this year, which Textron turned down as "completely unacceptable."

Mr Robert Bauman, aged 53, who was recruited from General Foods in 1981 to help turn around Avco, will become vice-chairman of Textron, and five other Avco directors will join Textron's 15-strong board. Mr Straetz will retire in 1986 as Textron chairman. Mr Dolan is expected to succeed him.

Hussein wins Egyptian backing for peace talks

BY ROGER MATTHEWS AND TONY WALKER IN CAIRO

KING HUSSEIN of Jordan yesterday won Egypt's backing for a bid to mobilise the majority of Arab countries behind a call for a United Nations-sponsored international peace conference to resolve the Arab-Israeli conflict.

At the end of his three-day state visit to Egypt, a joint communiqué issued with President Hosni Mubarak not only signalled Egypt's support for a UN conference but also its acceptance of the Jordanian formula of seeking the return of occupied territories in exchange for peace with Israel.

However, Mr Shimon Peres, the Israeli Prime Minister, turned down the idea of an international conference in a speech to the Knesset and called instead for direct negotiations with Jordan or with a joint Jordanian-Palestinian delegation which excluded the Palestine Liberation Organisation.

King Hussein urged his peace strategy on last week's meeting of the Palestine National Council in Amman but failed to win clear acceptance. In an appeal to other moderate Arab governments, however, he and President Mubarak affirmed yesterday that "it is high time for the formation of a solid Arab front for serious Arab action to regain usurped Arab rights."

The joint statement recognised the PLO as the sole legitimate representative of the Palestinian people and called for its participation in any peace conference. It denounced "Israel's expansionist policies in building settlements and the compulsory emigration of citizens from occupied Arab territory."

By agreeing to King Hussein's proposals Egypt appears finally to have buried that part of the Camp David peace accords dealing with the Palestine issue. That called for the establishment of a self-governing Palestinian authority in the West Bank and Gaza Strip for a five-year transitional period. In the third year negotiations should have started involving Jordan, as well as Egypt, Israel and the U.S., on the final status of the territories.

In practice, those provisions went by default. Egyptian officials, meanwhile, stress that they remain firmly committed to the peace treaty with Israel signed in 1979.

Our Tel Aviv Correspondent reports: While rejecting the call for an international conference, Mr Peres repeated Israel's offer of direct negotiations with the Jordanian monarch.

In a speech to the Knesset, Mr Peres said there was no need for another "theoretical peace plan." The requirement now was for a "real and serious partnership for dialogue on a basis of equality and respect."

Israel, he said, was willing to participate in direct negotiations with Jordan or with a joint Jordanian-Palestinian delegation but ruled out any participation with the PLO.

Addressing the inhabitants of the occupied territories, Mr Peres told them that "not terror but self-administration will guarantee your future and bring about an improvement in the quality of life."

The Prime Minister admitted that Israel had no illusions about the possibility of a settlement of the vexed question of sovereignty over the territories it had occupied since 1967, saying: "The issue is very complicated: it will be a difficult process."

On the subject of relations with Egypt, Mr Peres again stated that Israel hopes for an improvement. He made no mention of Lebanon, but at yesterday's session of military talks at Nakoura in South Lebanon, a joint statement by the Lebanese and Israeli delegations spoke tentatively of "some positive elements" emerging.

French trade balance may be hit by fall in overseas projects

BY DAVID HOUSEGO IN PARIS

THE VOLUME of capital goods contracts won abroad by French industry is sharply declining, with potentially adverse consequences on France's future trade balance.

Ministry of Industrial Redeployment figures issued yesterday show that last year's slide in the volume of contracts placed mainly by developing and oil producing countries has continued during the first three quarters of this year.

The drop in orders has been one of the reasons for the difficulties experienced by companies such as Creusot-Loire, the bankrupt heavy engineering group, and Technip, the project engineering company.

Two years ago, capital goods contracts ranging from turnkey cement plants to civil engineering projects in the Middle East accounted for about 10 per cent of French exports. France has shifted its export strategy towards the sale of intermediate and consumer goods in industrialised countries because of the financial difficulties of developing countries and of East European countries.

According to the ministry figures, capital goods for the first nine months totalled FFr 37bn ($3.95.7m), and the total for the year is expected to be less than FFr 50bn. Last year France won capital goods contracts of FFr 55bn which was just over half the FFr 94bn won in 1982 and the FFr 90bn in 1981.

The ministry confirmed that the decline in orders was occurring faster this year. Last year the volume of contracts was boosted by some FFr 20bn of orders from Algeria because of barter arrangements involving France's purchase of Algerian gas.

Of the FFr 9.7bn of contracts won in the third quarter, more than FFr 1bn each came from Iraq, Algeria, Brazil and the East European bloc.

The impact on the balance of payments of the drop in orders will still take several months to filter through. In part it is offset this year by larger military contracts placed by Saudi Arabia and by Airbus sales to Pan Am and Air India.

The diminishing number of orders for turnkey projects placed by developing countries has brought anguished cries from French industry recently.

M. G. L. de Buffevent, chairman of Spie-Batignolles, the engineering group, said that competition was "very, very tough." He said that unlike comparable U.S. companies, French firms had no substantial domestic market to fall back on.

Hectic trading in BT shares

Continued from Page 1

shares. The small investor was not apparent in large numbers. Many would-be sellers are waiting for their letters of acceptance, which will be posted only next Monday.

BT employees who had received their maximum allocation of 20,000 shares were among the sellers. Some had formed consortia to raise sufficient money; they proved a useful avenue for stags (speculators looking for quick profits) who were frustrated in the general allocation.

Dealings started simultaneously in the U.S. and Canada. Some brokers speculated that as many as half of the 180m shares allocated to U.S. financial institutions crossed back over the Atlantic, although there was some U.S. buying too.

By lunchtime in New York, BT shares were cruising easily to an all-time trading record on the New York Stock Exchange. It took BT only about an hour for its share trading volume to surpass the 9m figure achieved almost a year ago by its U.S. counterpart, AT&T, in its new broken-up form. By 1pm, BT had shot through the 11.5m record set in June by Superior Oil "when-issued" shares.

Issued in blocks of 10, in the form of American depositary receipts (ADRs) the shares shot up immediately to an 85 per cent premium on their part-paid offer price of $5.96.

By the close of trading in New York, 16.4m ADRs of BT had been traded out of a total of 18m available in the U.S. The price remained at $11 throughout the day.

A leading U.S. insurance company said that a motivation for selling was that American institutions were not measured for performance against an index including BT. The British institutions needed the shares much more than their U.S. counterparts, which had plenty of other investment alternatives in the telecommunications field.

More than 1.5m BT shares changed hands in the first 2½ hours of trading on the Toronto stock exchange. The price jumped from C$7.90 to C$14⅝.

Mr Ian Delaney, of McLeod Young Weir, leaders of the Canadian underwriting group, said that Canadian investors – normally regarded as more conservative than their U.S. counterparts – were unlikely to be as active in stagging their shares. Buying interest appeared to have come mainly from institutions.

Mr David Steel, leader of Britain's Liberal Party, said the issue had been so underpriced that every householder in Britain had had to subsidise the sale to the tune of £100. It amounted to a loss to the Exchequer of over £1.6bn.

The British Telecom Unions Committee commented: "The Government has played a confidence trick on the British public only equalled in history by the South Sea Bubble."

Mr Geoffrey Pattie, Minister for Information Technology, defended the offer price. The fully paid shares are 130p. He said that when it was fixed on November 15 most commentators had regarded it as fair. He emphasised: "So do we today."

He added that people had "voted with their cheque books and this can only be seen as a massive gesture of defiance of the Labour Party." Conservative MPs joined with the minister in emphasising that over 96 per cent of BT's employees had decided to become shareholders, despite the advice to them of the Post Office Engineering Union not to buy shares.

Kleinwort Benson, the merchant bank that advised the UK Government on the sale, also defended the offer price. It said there would have been far more criticisms had the issue flopped, as happened with the privatisation of Britoil, or if the shares had slipped to even a modest discount.

"It all looks so easy after the event, but getting 2m shareholders and £4bn was a huge undertaking," said Kleinwort Benson. "With the market at an all-time high at the time of the pricing, and the requirement that the issue must be a success, we make no apology for the price."

Many institutions admit that when they were first approached about BT early this year, it seemed rather a burden, an unexciting utility stock, hampered by regulations governing price rises.

Aid for Africa tied to reform

Continued from Page 1

Saharan Africa, but also because it sees the present crisis as "a unique opportunity to take up the issue of policy reforms" with African governments, Mr Qureshi said.

Governments were beginning to show "realism and pragmatism" in response to past policy failures and were increasingly willing to accept advice from multilateral institutions such as the bank and the International Monetary Fund. However, to take unpopular actions, governments often need outside financial support and that, according to bank officials, would be the purpose of the new fund.

Although most donor governments strongly endorse the emphasis on policy reform which the new fund would embody, some are worried about creating a special facility for one region of the world, to the exclusion of others.

Warsaw close to accord on $3bn debt

By Christopher Bobinski in Warsaw and Donald Buchan in London

POLAND and its 17 Western government creditors, after meeting in Paris last week, are within sight of an agreement rescheduling $3bn in unpaid 1982–84 debt, according to senior Polish finance officials.

Poland has repaid Western governments nothing in interest and principal accruing since Western sanctions were applied nearly three years ago. By contrast, it has rescheduled its debts to Western commercial banks up to 1987.

Western officials confirm Warsaw's relatively optimistic reading of last week's Polish debt negotiation in the Paris Club. Remaining differences about the duration and grace period of a rescheduling agreement may be settled in another Paris Club meeting later this month.

Poland appears to have accepted the Western governments' position that its demand for new credits cannot figure in a multilateral framework rescheduling accord. Poland, however, still intends to press its new credit request in bilateral negotiations with individual Western governments.

A senior Polish official yesterday suggested that bilateral debt accords could be completed by the middle of next year.

Western officials maintain, however, that the issue of new credit would still be out of place in such bilateral agreements which normally just settle details, such as interest rates, of broad rescheduling terms agreed at the multilateral level.

Meanwhile, the Sejm, Poland's parliament, was presented yesterday with figures that suggest that Poland's hard currency debt could total $30bn by the end of next year.

The hard currency debt is expected to reach $28.1bn at the end of 1984, $1bn less than expected, thanks to the rise in the value of the dollar. This year, according to the Ministry of Finance, hard currency exports will reach $5.9bn – $300m less than planned – and imports will be valued at $4.5bn, or $200m below plan.

This year, $1.8bn was spent in hard currency capital and interest repayment to banks, while hard currency credits received in 1984 totalled $380m.

Next year, the Poles are planning to spend $2.2bn on debt repayment to Western banks and are counting on $300m in bank credits, while export earnings are put at $6.4bn and import spending at $4.8bn. The figures do not account for an agreement with Western governments on new credit.

● The Sejm yesterday voted to dissolve itself at the end of next August and said nationwide elections for the 460-seat body should be held before the end of 1985, Reuter reports from Warsaw.

The elections had been scheduled for March of this year but were postponed in February, apparently because Communist authorities feared the voting would be used to protest against the outlawing of Solidarity, the independent trade union.

Parliamentary elections were last held in March 1980, five months before Solidarity's birth. Under the Polish constitution, they are supposed to be held every four years.

Honeywell to sell Synertek chips unit

By Louise Kehoe in San Francisco

HONEYWELL, the U.S. computer company, is to lay off most of the 1,200 workers at its California semiconductor subsidiary, Synertek Corporation, and plans to sell the unit.

At least 1,000 jobs in Santa Clara and Santa Cruz, California, will be lost before Christmas. Honeywell said it would also lay off many of the 500 people who work at Synertek's assembly and test facilities in Singapore.

Synertek, a major manufacture of the ROM (read-only memory) chips, used to store programs in video games and home computers, has suffered substantial losses for the past two years, and was projected to lose money in 1985, said Mr H D Elverum, Honeywell's executive vice-president.

Honeywell said it expected to take a "substantial write-off" in the fourth quarter, as a result of the effective closure of Synertek's operation.

Although Honeywell declined to say how much the assets of Synertek are worth, industry sources suggest Honeywell invested more than $100m in Synertek's manufacturing facilities in Santa Cruz.

Synertek's problems stem from the collapse of the video-game market in 1983.

THE LEX COLUMN

The pounds behind the BT button

It is a rare new issue that can leave the institutions badly underperforming the FT All-Share Index, and the Government a notional £1.3bn out of pocket all within the space of a few minutes. But there is nothing common about British Telecom, and yesterday's first 'dealings provided a fitting climax to the months of theatrical preparation.

The Government's financial advisers recognised that the allocation decided over the weekend carried with it the risk of an embarrassing premium once dealings began. And so it turned out; only the readiness of Wall Street investors to stand in for London's disappointed stags prevented a stock shortage of spectacular proportions.

It is easy enough to be wise after the event. With the benefit of hindsight, Kleinwort, Benson should not have surrendered so easily to institutional pressure for a yield in the area of 7-7½ per cent. Yesterday evening, after all, BT was yielding 5.4 per cent on a partly-paid price of 93p, and there was no shortage of UK buyers clamouring for more stock. The 20p rise in the Cable & Wireless share price – to 440p – in the course of the day was evidence enough of how seriously the institutions are taking their weighting problem.

But, if the Government's first priority was to encourage wider share ownership, it has succeeded admirably. And any political fall-out from yesterday's dealings will almost be forgotten by the time Telecom plays host to its army of shareholders at the AGM. BT was a monumental corporate finance exercise and, in almost every respect, a monumental achievement.

British Airways

If impact day for British Telecom resulted in something of a crunch, the path of British Airways towards the equity market is still looking an enviably smooth glide. In what must be the last set of figures before BA issues its prospectus, the instrument readings are reassuring indeed.

With the growth in traffic running strongly in its favour, the airline has logged £189m before tax in the six months to September – a fraction more than it could show for the whole of the previous financial year.

Admittedly, the winter months have a far less favourable ratio of revenues to fixed costs, even in the slimmed-down model of BA that is being prepared for sale. On a pessimistic assumption – such as an unprofitably White Christmas at Heathrow, London – the prospectus might have to talk of a full-year profit not far in excess of £200m. Yet the benefits of BA's much reduced cost base would even then be apparent, by comparison with the winter losses that it used to throw up.

In any case, traffic in the second half has so far been encouraging. Volumes that were about 10 per cent ahead of 1983 through the first half have in recent weeks run more strongly still. If the trend were to continue, it would before very long raise serious questions over BA's capacity to handle demand in the peak season, perhaps forcing its investment programme into a higher gear.

Whatever the outcome, it is clear that the amount of debt in BA's final balance sheet will be down to rather less than its current £770m. Something around £700m is in view, unless a rising dollar adds on another lump of translation losses.

At least the currency exposure in its borrowings should prove helpful to BA in proving to the SEC's satisfaction that it is a dollar business. If it can, the gain would be to exclude unfavourable translation effects from BA's dollar-converted profit and loss statement. That would give BA an advantage over BT when it comes to selling itself on Wall Street.

Currys/Dixons

Hard-fought games very often go into injury time, but few could have expected even the Currys/Dixons slog to continue through the dressing-room and into open court. In these days of fast and convenient telecommunications, Scottish Amicable seems a little over-stylish in timing its withdrawal from Dixons' offer to the split second. After all, Currys' defensive counter had been on the table for a good 10 days. But it is for the court to decide today whether the Scots can retreat, taking Dixons' claims to control along with them.

But victory today for the Currys board will not be an unalloyed blessing. Even provided that any more rethinking of the Dixons' offer by institutions is all *à la* Scottish Amicable, Currys will still be saddled with the costly and elaborate restructuring promised in the defence – while Dixons will at least have enjoyed a rerating. Whichever way the judgment goes, Currys can still set the Takeover Panel something of a teaser with its demand for a moratorium.

Johnson Matthey

The circular to Johnson Matthey shareholders referred to in yesterday's column was prepared by the company's advisers and was the responsibility of the whole board. We accept that the chairman of Johnson Matthey did not write the letter in order to promote the interests of Charter Consolidated.

UK miners defy court

Continued from Page 1

the advice of the NUM's lawyers, was designed to make its funds available to the sequestrators on the assumption they would then take the £200,000 fine and the court expenses, thus ridding the union of the supervision of the receiver.

That marginal compromise with the court judgment, contained in the executive's report to the conference, was explicitly rejected in an amendment put up by the small Kent area and passed on a card vote by 139,000 votes to 80,000. The amendment was then voted on as the substantive resolution.

The executive's vote was significant in that the centre right scored a rare victory over the left with the three left-wing Yorkshire executive members abstaining. However, Mr Scargill emphasised afterwards that had the executive's motion been accepted it would also have laid down that the £200,000 fine would not be paid, that the contempt would not be purged and that the TUC would be called on to provide extra support.

The union now moves into wholly uncharted territory. The receiver is in complete charge of the union's national funds, although it is possible for the national officials to carry on the conduct of the strike by basing themselves in an area office.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Dubrovnik	S	16	61	Malaga	F	18	64	Salzburg	C	4	39
Algarve	S	19	66	Faro	F	19	66	Malta	F	16	61	Seoul	S	9	48
Algiers	F	15	59	Florence	F	16	61	Manila	F	31	88	Singapore	F	30	86
Amsterdam	S	6	43	Frankfurt	C	5	41	Miami	C	28	82	Stockholm	C	5	41
Athens	F	15	59	Funchal	F	19	66	Milan	C	9	48	Strasbourg	C	5	41
Bahrain	S	26	79	Geneva	S	7	45	Moscow	S	-5	23	Sydney	F	29	84
Bangkok	F	31	88	Gibraltar	—	—	—	Munich	C	3	37	Taipei	C	22	72
Barcelona	S	11	52	Guernsey	C	11	52	Nairobi	S	24	75	Tangier	F	18	64
Beirut	F	18	64	Helsinki	D	2	36	Naples	F	14	57	Tehran	—	—	—
Belgrade	F	13	55	H Kong	R	17	63	New Delhi	S	21	70	Tel Aviv	F	21	70
Berlin	C	4	39	Innsbruck	C	7	45	New York	C	8	46	Tenerife	C	21	70
Biarritz	C	11	52	Inverness	C	3	37	Nice	C	12	54	Tokyo	S	14	57
Blackpool	F	8	46	Istanbul	F	10	50	Oporto	F	16	61	Toronto	R	3	37
Bordeaux	C	8	46	Jersey	D	8	46	Oslo	D	2	34	Tunis	—	—	—
Brussels	S	7	45	Jo'burg	C	26	79	Paris	S	8	46	Valencia	F	16	61
Budapest	S	5	41	Las Palmas	C	20	68	Prague	C	3	37	Venice	C	10	50
B Aires	F	22	72	Lima	C	22	72	Reykjavik	R	4	39	Vienna	C	2	36
Cairo	F	21	70	Lisbon	F	18	64	Rio de J'o	C	35	95	Warsaw	C	0	32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday: C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

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FINANCIAL TIMES SURVEY

ITALY

BANKING FINANCE AND INVESTMENT

Frustration on all sides

By ALAN FRIEDMAN

IT WAS a sweltering morning in Rome in early August when the tall and broad-shouldered figure of Prime Minister Bettino Craxi appeared to address Italy's Parliament with a proud recital of his Government's achievements after one year in office.

The bespectacled Sig Craxi, looking slightly nervous and reaching down to the podium every five minutes for a sip of mineral water, gave an impassioned defence of his policies, above all claiming credit for an improvement in the Italian economy on the basis of lower inflation statistics and cuts in the country's *scala mobile* wage indexation system.

BROKERS THRONG THE FLOOR OF THE ITALIAN BORSA (STOCK EXCHANGE) IN MILAN

The Craxi Government, despite its good intentions, has failed to come to grips with Italy's frightening public sector deficit. This deficit leaves the state-controlled banking system and private borrowers in an unhappy position.

There can be no doubting the forceful Sig Craxi's determination to make sustained economic recovery his "number one priority." But there is exaggeration in his bold claims of having turned round the Italian economy.

Has inflation fallen from its 1983 average of 14.7 per cent to its present level of under 10 per cent because of the Craxi Government's policies?

Or is the Italian economy, which can look forward to a 1984 economic growth rate of 2.5 to 3 per cent, simply being carried along on the coat-tails of the far more relevant U.S. recovery?

The answer to these questions can be the subject of lengthy dinner party conversations with bankers, but the general consensus would appear to be that Sig Craxi's actions have been more psychologically important than substantive. It would be going too far to say there is no substance — the cuts in labour costs are real enough.

But the Craxi Government has failed, like all of its predecessors, truly to come to grips with Italy's frightening public-sector deficit, which must be seen as a continuing explanation of the country's abnormally high inflation rate.

Where does all of this leave Italy's 90 per cent state controlled banking system? The answer is: in a state of frustrating near-impotence.

The public-sector deficit, forecast for this year at L95,800bn ($51bn), is 15 per cent of Italy's gross domestic product. This is three or four times the proportion of the U.S. deficit.

Something like half of all personal savings are drained away by government bonds to finance the deficit. And Italy's Government debt last year represented 84 per cent of GDP — in a couple of years it could overtake the size of the nation's GDP.

The International Monetary Fund warns periodically of the deficit being a "time bomb" or a "cancer." Italian bankers wring their hands as they watch depositors' money channelled into Government bonds which yield 2 to 3 per cent above inflation, tax-free.

"We cannot compete with our deposit rates," they complain.

Meanwhile, Italian companies, unable or unwilling to go near the stock market for capital, must pay ridiculous and punitive interest rates for bank loans — over 20 per cent in many instances.

"We work only for the banks, to pay off our interest," is the familiar moan from many Italian finance directors.

The banks are the mainstay of Italy's financial system, but because of the mammoth public-sector deficit, much private borrowing is crowded out. The deficit, as the table shows, has been rising steadily in recent years. It is true that the Craxi Government's 1984 budget deficit will be closer to the target than in the past few years, thanks to unexpectedly slow spending and higher tax receipts.

But of what significance is staying a billion dollars within target range if the sheer size of the deficit is causing insidious and slow-motion damage to the fabric of Italy's economy? In a worst-case scenario the situation could deteriorate over the next few years to become a financial crisis.

Italy's balance of payments, although under some strain from a record trade deficit, should, nonetheless, amount to a manageably small deficit. But what would happen if in a year or two the government found it was not able to sell to the Italian public the reams of treasury bonds it uses to battle the deficit?

The logical answer would be to cut public sector spending. But this is simply not possible in a country where social programmes are sacred to all political parties and nearly untouchable. Some cuts are attempted: for example the 1985 budget calls for holding down spending in real terms and cuts on health, education and state industry. But, traditionally, Italian budget cuts are met by stiff Parliamentary resistance.

The same is true for revenue-raising measures. A current effort to increase taxes on Italian shop-keepers caused 1m of the shop-keepers to shut down and strike two weeks ago. Hell knows no fury as a self-employed Italian being asked to pay taxes. The burden of taxes falls upon white-collar salaried workers.

So, if a major Government Treasury issue were to fail in the next few years, where would the funds then come from? The Government could resort to expanding the money supply, but that would be dangerously inflationary.

Could the government then go abroad for the money?

Italy is at present enjoying a superb credit rating in the Euromarkets, taking advantage of it with jumbo US$1bn and US$500m issues and debt restructuring on extant loans. But over the next four to five years Italy will need to refinance half of its $40bn of foreign debt —that is around $4bn to $5bn of Euromarket borrowing a year. How long would Italy's image survive if it were forced to borrow abroad to the tune of billions more each year to battle the deficit?

Admittedly, the foregoing is an alarmist hypothesis. But there are worries that Italy's deficit could be a house of cards at some point. Discipline is needed, yet the political infrastructure of Italy leaves precious little room for manoeuvre. The

CONTINUED ON PAGE 3

The Italian economy

	1979	1980	1981	1982	1983	1984
Public sector deficit (Lire bn)	30,370	37,486	53,463	76,275	91,208	93,000*
Prime rate (annual average) (%)	15.43	19.93	22.13	21.54	19.10	18.00†
GDP growth (in %)	4.9	3.9	0.2	−0.4	−1.2	2.8*‡
Inflation (annual average) (%)	14.8	21.2	17.8	16.5	14.7	10.9*

* Estimates. † September. ‡ The actual 1984 GDP is estimated at L609,595bn ($321bn at current exchange rate).

Sources: Istat, ABI, Banca d'Italia.

IN THIS SURVEY

Despite frustrations the system works

ITALY HAS no fewer than 1,100 separate banking institutions, ranging from the tiniest one-branch rural credit co-operative to the nation's largest bank—Banca Nazionale del Lavoro. And yet there is a *distinct* lack of any genuine competitive spirit, services for customers can be costly and inefficient and the pervading sense is one of an oligopolistic banking system.

Perhaps the fact that around 90 per cent of the Italian banking system is state-controlled has something to do with the lethargy of so many institutions.

Structure of the system

ALAN FRIEDMAN

In one of the harshest attacks ever made by an industrialist on the banks, Sig Vittorio Merloni, past president of Confindustria Employers' Association, declared in February: "The banking system of Italy is a bureaucracy of granite—static, stubborn, oligopolistic and inefficient." He was right.

Visiting a group of small businessmen in the Abruzzo region of Italy one hears a lengthy diatribe against "those bankers." Italian company directors from Naples to Milan are quick to criticise their banks as rapacious, unhelpful and usurious. And while good companies can borrow from banks at a rate of interest a half point under the Italian prime (now running at 18 per cent), the less fortunate tend to pay above 20 per cent for their loans.

The banks, meanwhile, are quite profitable. Credito Italiano this year announced a 50 per cent jump in first half net earnings, to L30.8bn.

Profit rise

Banca Commerciale Italiana (BCI), which like Credito Italiano is one of three banks of national interest controlled by the giant IRI state holding group, saw its net profit rise by 59 per cent in the first six months of this year, to L40.8bn.

Large lending margins—which range from 6 to 8 per cent—account for some of the profitability. But the need to adhere to rigid reserve requirements, obligatory investments in Government bonds and the need to provide certain state administrative services, make the level of profitability misleading, according to several senior bankers.

In trying to understand the contradictions in Italian banking, it is well to start with the structure of the system. For the average urban Italian, living in central or northern Italy, the banks that he or she is most likely to be acquainted with are the three IRI-owned institutions, Banco di Roma, Banca Commerciale Italiana and Credito Italiano.

Together, the IRI banks have 1,206 branches, or 9.3 per cent of Italy's 12,918 bank branches. But the three IRI banks are not as attractive to clients as the numbers might suggest. Many savers prefer to go to smaller institutions.

After the banks of national interest there are half a dozen "public credit institutes" which together hold around a fifth of total deposits in the system. The biggest of these is the Rome-based Banca Nazionale del Lavoro (BNL) whose chairman is the well-known socialist, Dr Nerio Nesi. Dr Nesi has been steering BNL into new diversified areas such as leasing, investment banking and other related services.

Dr Nesi, known for his pronouncements on a wide variety of subjects, may be regarded as a somewhat "political" bank chairman. But he is by no means alone: the overwhelming state control of Italian banks means that a number of senior bank executives are appointed by political parties, which portion out top jobs on a pro-rata basis.

The most common type of institution found in Italy is the rural or agricultural bank—there are 650 of these, many of them single-branch operations. Despite the number of such banks they control only a small portion of total deposits, less than five per cent in all. An additional 320 ordinary banks, some of them private, hold a quarter of total savings.

Savings banks

Savings banks should not be ignored—they have been at the forefront of introducing technology such as automated teller machines. There are 79 savings banks, the largest of which is Cassa di Risparmio delle Provincie Lombarde (Cariplo). Cariplo is Italy's largest savings bank and one of the largest in the world, with L34,052bn of deposits and 460 branches. The Milan-based Cariplo is Italy's sixth largest bank.

The past year has seen two major bank sales—but these have had little impact on the proportion of state-owned banks. In May, the Nuovo Banco Ambrosiano group, owned by a pool of seven banks, sold its controlling stake in the attractive Credito Varesino, a Lombardy regional bank. The buyer, the privately-owned Banca Popolare di Bergamo, paid L20bn for Varesino and its 60 branches.

The second sale was more significant. In August, the Istituto Bancario San Paolo di Torino paid L485bn to purchase Banca Provinciale Lombarda, the private bank which was controlled by the late Sig Carlo Pesenti, the Catholic financier and friend of the late Sig. Roberto Calvi of Banco Ambrosiano infamy.

With this one move, San Paolo of Turin, which is one of Italy's best-managed and most sophisticated banks, leapfrogged Credito Italiano to become Italy's third largest bank (as a group).

Although banking statistics show that San Paolo alone is the fourth ranking bank, its new group structure gives it 609 branches, L45,000bn of deposits and over 17,000 employees.

The number of employees at San Paolo is large, as it is in most of Italian banking—the total number of bank staff in Italy is 323,000, and this is one of the problems in the Italian banking system: over-staffing.

The problem is not peculiar to Italy: Britain's Midland Bank comes immediately to mind as a major bank which could easily shed staff and reduce overheads.

But Italy's bank staff problem is pervasive, and Italian bankers admit that something needs to be done. The problem is that for political and bureaucratic reasons, very little will be done. There is no doubt that new technology—ranging from cash dispensers to desk terminals and electronic fund transfers systems—could help Italian banks to function at least as well and probably better with lower staff numbers.

During the past eight years the number of bank staff has increased by 32 per cent, while, in the general service sector of the Italian economy, the equivalent rise was 21 per cent and in overall Italian labour terms the increment was 4 per cent.

But the number of bank branches has been growing much more slowly — only by around 10 per cent during the same period.

Clerical staff represents around 42 per cent of total bank employees, as opposed to 30 per cent in 1970. Yet service is at times quite poor. One recent survey suggested that compared to 1973, per capita productivity of bank employees in Italy was last year down by 10.4 per cent.

Dr Marcello Tacci, a managing director of Banco di Roma, agrees that the banking system could be more efficient, but he argues that, compared with other countries in Europe, the Italian system is not really much different. He maintains that the increase in staff numbers in the 1970s also occurred in other countries.

"If we started a Bank *di Nuovo*," comments Dr Tacci, "we could do it with a smaller number of staff. But we have to be realistic."

He reckons that change is under way, that banks are gradually learning to become more competitive in Italy and that a few years will be needed before the improvement is noticeable.

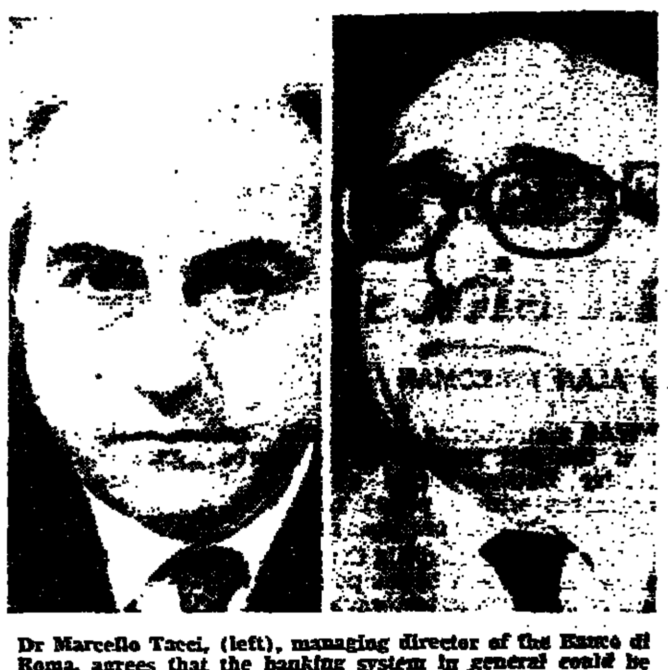
The mainstay

The problem for Italian bank clients, be they individuals or companies, is that to a greater extent than in other industrialised countries the banks are the mainstay of the financial system. The structure of the Italian banking system, with its politicised executives in some banks, its lack of efficient cheque-processing traditions, its reliance on cash and its general lack of enthusiasm for change, tends to condition relations between bank and customer.

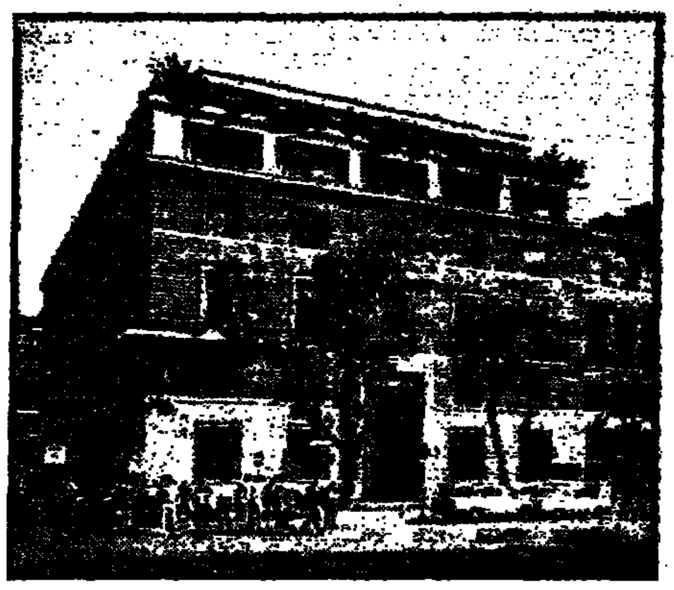
There are not really investment alternatives for Italians, who have one of the highest savings ratios in the world. Exchange controls make overseas investments difficult, the stock markets are tiny and susceptible to insider trading. The choice for a saver is banks or Government bonds.

The Treasury paper, which yields several percentage points more than inflation, is issued in reams to fund the Government's voracious public sector borrowing requirement. Customers can buy the paper directly or through banks. And the banks have no choice but to place a portion of their deposits in Government paper, in addition to placing nearly a quarter of deposits as reserves with the Bank of Italy (at an interest rate of 5.5 per cent).

All of these structural problems explain some of the frustrations of doing business with the Italian banking system. But the miracle in Italy—and this is true of most aspects of Italian life—is that, despite it all, the system works.



Dr Marcello Tacci, (left), managing director of the Banco di Roma, agrees that the banking system in general could be more efficient, but compared with other European Countries, the Italian system is not really much different, he says. Dr Nerio Nesi, (right) is the well-known chairman of the Rome-based Banco Nazionale del Lavoro (BNL), which has offices on Via V. Veneto (below). He has steered BNL into new diversified areas, such as leasing and investment banking.



Liberalisation moves aid smaller banks

The Central Bank

JAMES BUXTON

A SPARSE, two-sentence communique, issued at the very end of last year, may turn out to have been the most important contribution the Bank of Italy has made to liberalising Italian banking for several years.

The communique said that the Central Bank was no longer going to use "moral persuasion" to make the banks keep to the ceilings on their individual lending operations.

The ceiling or "massimale" had, in fact, been abolished in mid-1983, but for the succeeding six months it continued in all but name with the use of "moral persuasion."

From the beginning of this year it has disappeared.

What this means is that the Central Bank no longer regulates the market share of each of the country's 1,100 or so banks. With the interest rate cartel presided over by ABI, the Italian Bankers' Association, having collapsed a little later, banks can now compete for customers by offering funds at competitive interest rates.

Brave words

This may well be bad news for some of the very large state-owned institutions which have failed to become substantially more efficient in the past few years, despite the brave words, about change of their chairmen. The smaller, regional organisations, especially the banche popolari, or popular banks, can profit from the fact that they are leaner and less inefficient.

Yet no one standing in an interminable queue at the bank cashier's counter, or trying to trace a transfer lost in the banking system can forget the bleak limits to competition and thus to efficiency which the Bank of Italy imposes—no doubt to the relief of the institutions it thereby protects.

Banks cannot open branches, or even change the address of existing branches, without permission from the stately institution in Via Nazionale in Rome, and they must follow pettifogging bureaucratic procedures which create staggering quantities of paper and immense amounts of work for bank employees—but little else.

There is no suggestion that the Bank of Italy is anywhere near implementing the EEC directive which enjoins member states to allow the free entry and operation of banks from other countries, an event which the frustrated bank customer dreams of as an end to agony.

Yet the Bank of Italy's role is far wider than mere bank supervision. In a country where few institutions are immune to infestation by the political parties, and where most organs of Government simply lack the qualified personnel to fulfill their functions adequately, the Bank of Italy combines independence with effectiveness.

Even so, its powers to correct the mistakes of the politicians in economic management are confined to the weapons of monetary policy, plus a degree of moral persuasion.

Governments find it virtually impossible to reduce their spending. In real terms, though, they have in the past few years shown quite an impressive ability to raise taxation levels. Nevertheless, there is still a substantial gap between revenue and expenditure which amounts to about 15 per cent of gross domestic product.

The bank's response to the lax fiscal policy of governments has been to operate a tight monetary policy. But the contradictions between the two policies now threaten to produce alarming problems—problems which Dr Carlo Azeglio Ciampi, the Governor of the Central Bank, has lately done all he can to bring home to the politicians, but so far without conspicuous success.

Until 1981, the Central Bank was obliged to finance the Treasury's deficit by, in effect, printing money. Then came the "divorce" between the two institutions and the treasury had to raise its funds in the money market.

The bulk of the public sector borrowing requirement is now met by the sale of treasury bills of different maturities.

The problem is that as the Government shows only slight signs of holding down its deficit the public debt swells inexorably, reproducing itself more quickly than the rates of economic growth and posing an immense burden of interest payments which in itself goes to swell the debt.

The debt alone is now approaching Italy's gross domestic product in size and the share of bills and bonds in public hands should double in the next three to four years from about 25 per cent to about 50 per cent of Italy's total financial assets.

Interest payments on Treasury bills are now equivalent to almost 10 per cent of GDP, and as the payments are tax free this means that almost a tenth of GDP is completely beyond the reach of the taxman. Millions of Italians at all social levels hold Treasury bills and certificates.

Even though the Bank of Italy continually draws attention to the many grotesque aspects of the public debt, it is not immune from criticism itself.

Some critics argue that by tightly limiting the expansion of the monetary base and therefore insisting that the Government pays through the nose for its money it assists the crowding out of the private sector from financial markets and actually may be exchanging lower inflation now for higher inflation later — because of the ever increasing interest burden.

Criticism

The bank is also criticised for its handling of the issuing and sale of bonds, which, the critics argue, make the financing process unnecessarily expensive.

The economist, Professor Luigi Spaventa, criticises the Bank of Italy for not introducing a five-year indexed bond which he believes would reduce the cost of borrowing. He argues that almost the whole debt has to be renewed once a year and points to the many contradictions which result from the restrictive monetary policy.

But in his annual report at the end of May, the governor, Dr Ciampi sternly rejected criticisms of his monetary policy and of the bank's attitude to the Government debt.

He said that the monetary policy "should reveal the incompatibility that has grown up between the different claims on resources.

"In this way it can help clarify the options available and the choices that will have been made.

"In other words the more irresponsible the Government is in hogging the bulk of national credit the more it will have to pay for it, and the more unpopular it will be."

He added that it was against the institutional duty of the bank to do otherwise—and that a lax monetary policy would devalue people's savings.

As for the critique of the bank's technical handling of the debt, he concluded: "The search for new instruments and better debt management techniques may be useful, but a lasting assurance of efficient working of financial markets and of the independence of monetary policy can only come from a reduction in the public sector's voracious appetite for saving."

This is indeed what it all comes down to; a special study by the bank demonstrated recently that even a combination of consistent economic growth and lower inflation would not on their own bring public finances back into equilibrium. There was nothing for it but, deliberate restraint of spending—that is, spending cuts—and rising fiscal pressure—that is, higher taxes—over a four-year period.

Sig Giovanni Goria, the Treasury Minister, has accepted the idea in principle. But he has not yet convinced his colleagues that it must be implemented.

For looming over everyone—banks, government and economists included—is the prospect of the Italian savers finally rejecting as implausible the higher real interest rates that may become necessary if the Government is to continue to finance itself.

Settlement

If the bank cannot get its message through to the politicians presently congratulating themselves over the decline in inflation—it may have to modify its monetary policy or step in to prevent a disaster.

The Central Bank did, however, earlier this year pull off an operation which involved almost as much courage and finesse as it is now expecting from the political establishment. It achieved a settlement of the Banco Ambrosiano dispute which saw the Vatican Bank doing what even, up to the last minute, was thought almost inconceivable by paying up.

Whatever the weaknesses of the bank's policy towards Sig Roberto Calvi's Banco Ambrosiano while it was in existence, the bank handled the subsequent developments with skill. It refused to reimburse the creditors of the failed Milan bank's foreign subsidiaries.

This stimulated the creditor banks to sue the liquidators of the old bank and its successor the new bank and, more important, to investigate the relationship between the old bank Calvi and the Istituto Per Le Opere Di Religione, the Vatican Bank.

The investigation went sufficiently far to persuade the Vatican to make a payment to the liquidators while insisting that doing so did not imply any liability for what had happened.

The payment of $240m to the liquidators was a considerable success for the Central Bank's strategy. But it has yet to be made clear whether the bank has succeeded in its other aim of persuading the Vatican Bank to put itself at least partially under the Italian Central Bank's controls. And, for the moment, Archbishop Paul Marcinkus, the chairman of the discredited institution under whose management the relationship with Calvi blossomed, remains at his post.

The stately Bank of Italy in Rome: pettifogging bureaucratic procedures create staggering quantities of paperwork for bank employees.

Italy's top ten banks
(figures in Lbns)

Bank	Total deposits 1983	Total deposits 1982	Net profits 1983	Net profits 1982
Banca Nazionale del Lavoro	64,235	59,071	245.3	58.0
Banca Commerciale Italiana	51,606	43,615	55.7	50.5
Credito Italiano	42,228	32,603	42.4	42.2
Istituto Bancario San Paolo Di Torino	35,950	30,437	103.6	91.8
Banco di Roma	34,960	29,635	34.6	29.6
Cassa Risp Prov Lombarde	34,082	28,758	35.9	31.8
Banco di Napoli	30,903	22,450	8.5	6.9
Monte Dei Paschi di Siena	27,421	21,605	24.9	22.6
Banco di Sicilia	20,829	18,047	13.3	10.4
Consorzio Cred Opere Pubbl	20,343	19,731	140.5	139.9

Source: Il Mondo, ranking of top 550 banks

Among Italy's 1,100 separate banking institutions, the most common type is the rural or agricultural bank, of which there are at least 650. There are 320 ordinary banks and 79 savings banks. Around 90 per cent of the largely over-staffed system is state-controlled.

More improvements are being made

CONTINUED FROM PAGE 1

Italian deficit is, in real terms, far more frightening than even Mr Reagan's lopsided economics.

As of this year, the Bank of Italy has had only monetary controls such as reserve requirements, having abolished last year the ceilings on individual banks' loan advances.

Italian banks are now freer than before to lend. This year bank credit will have grown by around L44,000bn, or at a rate of 18.5 per cent. This is higher than the central bank's target of L38,000bn (14 per cent), but not problematic.

What is problematic, however, is the comparative lack of competitive spirit in Italy's banking system. Too many state banks are bloated bureaucracies, managed, at times, by political appointees with their own careers to follow. Overstaffing cannot be dealt with for political reasons and inefficiency is rampant.

In an unusually candid assessment of the slow cheque-clearing system of Italy, Dr Lucio Rondelli, managing director of Credito Italiano, told the Financial Times recently: "This country has one of the most obsolete payment systems in the world."

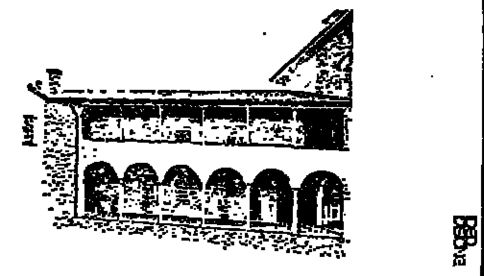
Improvements are being made, and the introduction last year of a very good nationwide cash dispenser network (Bancomat) is a relief to bank customers. But much work still needs to be done, in the fields of bank automation, clearing and bill payments. It could take at least a decade before Italy will be able to boast of a banking system which is on a par with that of Britain or other industrialised countries.

Uphill fight

Another area where Italian banks need to change is in their behaviour on the Milan Stock Exchange. The big banks, together with big insurance companies, account for more than 50 per cent of all share trading away from the official bourse, according to Prof. Franco Piga, President of the Consob stock market authority.

Prof. Piga is working to bring order to Italy's stock exchanges, but it is an uphill fight against some long-established things who, it is claimed, control most dealings in a sometimes highly irregular manner.

Reform of the Milan Bourse will take years to accomplish and may never really be complete. If the Milan Bourse is not forced to adopt more regular and more open standards, to develop audited and consolidated accounts as the norm rather than the exception and to use new unit trusts to attract more investors then Italy will continue to suffer from a lack of an advanced financial market.



Moves to ease cash management problems

The corporate sector

DAVID LANE
In Rome

COMPANY TREASURERS in Italy are nurturing great hopes for a future which is less stressful for them and less costly for their companies. If promises are maintained, then cash management systems which respond to the needs of the corporate sector should be fully operational within two to three years.

At the moment, efficient management of financial flows is difficult. The problem partly lies in the number of banks with which companies work. The small or medium-sized company rarely deals with less than 15 banks, and the figure may even rise to 40. Large industrial or commercial concerns are likely to hold accounts with 70 or more different banks.

Other difficulties are caused by the Italian state machine. Corporate treasurers cannot escape the oppressive hand of a bureaucracy which rarely fails to live up to its reputation as a spoiler of efficiency, a massive generator of administrative workload and a builder of paper mountains.

Companies which are engaged in import and export are heavily penalised by the requirements for bank authorisations on every operation. Moreover, exports billed in foreign currencies are currently subject to compulsory bank financing, for 50 per cent of the order value, and this necessitates opening, managing and closing special export financing accounts.

It is easy to imagine the enormous amounts of paperwork which have to be dealt with in companies' treasury departments, and the way in which organisation can degenerate into near-chaos as arriving documents swamp the system.

Yet, with the cost of money still stuck at about 20 per cent for many companies, keeping a tight control over financial flows and related information can yield high returns.

Until recently, Italy's banks have done little to lighten the burden on the treasurer's shoulders. Indeed, there is no lack of evidence that some have even taken advantage of the situation to turn an extra lira or two at their customers' expense. In August, Treasury minister Giovanni Goria made a scathing attack on the lack of transparency in bank conditions.

Not only are conditions opaque, said Sig Goria, but banks often fail to adhere to those which they have agreed. These harsh criticisms confirmed what many customers already believed, and underlined the need to trace every bank movement and to check every bank statement for value dates, interest rates, exchange rates, charges and commissions.

Most treasurers have, of course, been aware of the need for rigorous checks, even though, generally the appropriate means have been lacking. But the cash management systems, which have now begun trials with corporate customers over the past 18 months, should eventually allow treasurers to manage their companies' financial flows with much greater efficiency, and to maintain a close watch on what their banks are doing.

The fact that Italian banks are themselves developing and testing cash management systems helps to soften Sig Goria's critical observations on banking transparency, at least as regards the corporate sector.

But banks which provide this new service are certainly not motivated by a sense of penitence. Self-inflicted damage to their own bottom lines is not the aim. On the contrary, bankers see cash management as a potentially profitable means of improving customer service and increasing market share. And if they don't do it, their competitors will.

The Instituto Bancario San Paolo di Torino earns the credit for being the first bank in Italy to offer a corporate cash management system. The first trial installation of the San Paolo Bank's SIFF (Sistema Informativo Flussi Finanziari—Financial Flows Information System) started in May, 1983, and since then more than 20 other customers have been hooked in to the Turin bank's computer.

"While results have been satisfactory, there are two fundamental limitations to the system in its present form" said a spokesman for the San Paolo bank.

"First, SIFF is restricted to balance reporting, although in this respect it does not differ from the cash management systems of other banks."

Problems

"The problems posed by money transfers are being studied by CIPA, the interbank automation commission at the central bank.

"A second problem is that SIFF, again in common with the systems of other banks, is mono-bank. The reports which customers can receive relate only to their accounts with the San Paolo," said the bank's spokesman.

This presents a significant obstacle to giving the overall control which corporate treasurers require. It is unthinkable that companies will install a system for every bank with which they hold accounts.

The Banca Nazionale del Lavoro (the BNL), whose Finbank system was launched at the end of last year, notes that customers want and must be supplied with information on all their accounts.

Theoretically, data transmission networks allow the mono-bank obstacle to be overcome. However, while banks have agreements with time-sharing networks (like Geisco, ADP and NDC), there is presently no data exchange.

Italy's 89 savings banks have not been blind to the potential of cash management systems. Ipacri, the category's central automation organisation, has a corporate home-banking system which captured the interest of many visitors to Milan's automation trade fair in September.

The savings banks' system runs on a personal computer, a configuration which will probably find its principal market among small and medium-sized companies.

Project managers at Ipacri agree with the San Paolo bank and the BNL that corporate home-banking will only take-off when the problem of data communications is solved. So, the fundamental problem is that of transmission networks, an area in which the savings banks are already some way ahead of the banking system as a whole.

The Stacri Data Transmission Network, linking all the savings banks, has been operational for several years, and will be a major element in their cash management system. Ipacri managers say that Stacri will provide a gateway for corporate customers, first for information transfer and transactions between the savings banks themselves, then successively, when a national network is operational, the whole of the Italian banking system and, finally, to the worldwide system through Swift, the Society for Worldwide International Financial Telecommunications.

Network

The national network which is currently being developed using Stacri software provides the key to the spread of corporate cash management systems. And when this is working, it is difficult to see what role private time-sharing networks will have in the Italian market.

It is improbable that they will be authorised for money transfers, and in data transmission they will have to be cost-competitive with the non-profit Stacri, national and Swift networks.

If Italian banks succeed in delivering what is being promised, cash management will be an extremely positive innovation for the corporate sector. Managing financial flows will then be much more than installing a Bancomat dispenser on company premises to deal with the problem of petty cash.

High interest rates eat into profits

Manufacturers' viewpoints

DAVID LANE

"WE ARE just working for the banks," the managing director of a medium-sized manufacturing company complained, pointing to the heavy financial charges incurred during the year. With the cost of money still hovering around the 20 per cent mark, reliance on bank borrowings is expensive and damaging to the bottom line.

Yet although the inefficiency of the banking system and its high interest rates has been a favourite target for industrialists, companies themselves share the blame for the way interest charges eat into profits. Undercapitalisation lies at the root of the widespread dependence on bank money to finance not only working capital but even fixed investment.

Incautious and unplanned over-expansion, and the failure of owners to reinvest profits are two common reasons for these capital being inadequate. Reluctance of family businesses to dilute family shareholdings by inviting outside participation in capital stock has also contributed to the reliance on bank finance by Italian industry.

Addressing members of ABI, the Italian banking association, Sig Giannino Parravicini, the chairman, referred to industry's need to contain financial costs. There is a requirement "for increased capitalisation in terms of higher fixed capital per employee, a reduction in the level of short-term indebtedness towards the banking system and a greater contribution of risk capital," he said.

Industry's need to attract fresh capital was underlined by Sig Parravicini who expressed particular praise for "those groups which have decided to go to the market for necessary increases in share capital." On the same subject of undercapitalisation, Sig Parravicini told the ABI meeting that he expects positive results when financial activity of the merchant banking type starts shortly.

Weak balance sheets and the heavy indebtedness of Italian industry paint part of the backdrop to the debate on merchant banking which Central Bank Governor Carlo Azeglio Ciampi set running 18 months ago. Sig Ciampi returned to the subject in his address to the annual meeting of the Bank of Italy at the end of May. "Many operators have expressed interest in coming into this sector," he said.

Safeguards

But Italy's Central Bank guards carefully against any recurrence of links between industry and finance like those which led to the banking crisis in the 1930s. Limits within which credit institutions may maintain share portfolios without obtaining prior authorisation are clearly laid down. So the rules of the game and the roles of merchant banks are now being studied by the Bank of Italy, in close consultation with the banking community.

The new regulations to govern the operations of merchant banks aim to keep them strictly separate from retail banks which will, however, be able to move into merchant banking through subsidiaries. Minimum share capital will probably be L50bn ($26.52m), while the investment ceiling will be the share capital itself. The Central Bank is optimistic that the new regulations will be approved by the Interministerial Credit and Savings Committee (CICR) before the end of the year.

Away from stratospheric altitudes where fine ideas for solving industry's financing problems fly about with relative ease, down on banking's ground floor there is some scepticism that merchant banks can provide a quick or easy answer. Enlargement of the stock market would seem to be essential if merchant banks are to flourish.

However, new quotations are rare, and the prospects of an explosion of companies seeking stock market listings for their shares seem far from bright in the short and medium term. Going public is rarely a goal of Italian industrialists and entrepreneurs, the successful generally striving to keep hold of ownership and management. Neither does privatisation of companies from the vast and often loss-making state sector look promising.

Talk of the need for merchant banking has tended to mask the fact that some financial institutions already offer a range of services like those offered by merchant banks in Britain and the U.S. The Istituto Mobiliare Italiano (IMI), Italy's largest medium- and long-term credit institution, has subsidiaries which offer portfolio management, assistance in stock market listing, arrangement of short and medium term pooled loans, syndicate participation for underwriting and placing share capital increases and investment in minority shareholdings in industrial and service companies.

IMI's interest in beefing up its merchant banking was demonstrated when it set up the ITA B group in London at the end of last year. Three other Italian banks (Banca Popolare di Milano, Cassa di Risparmio di Torino and Credito Romagnolo) have stakes in ITA B, a licensed deposit taker which will probably request recognised bank status.

ITA B offers services in export credit and syndicated loans, as well as business and financial consultancy (mergers and acquisitions, joint ventures, foreign currency management, back-to-back loans).

Barclays Bank provides a further example of merchant banking activities already available in Italy. Recognised as a rather aggressive intruder, Barclays is credited with having adopted an effective strategy for its financial services. Barclays Internazionale Finanziaria provides assistance in medium and long term financing, international transactions, mergers and acquisitions and syndicated loans.

Barclays service

The Barclays' subsidiary claims to have the necessary requisites to be considered a merchant bank, although this claim is questioned by other bankers.

Barclays is the leading foreign operator in leasing and factoring, services which have expanded considerably over the past five years. Its joint ventures with Italian banks, among them the Banco di Napoli and the Cassa di Risparmio di Roma, are important elements of Barclays' approach, and so also is the extensive network of offices which it has established. The British bank is present in 11 cities with its leasing companies and six with factoring companies.

Statistics prepared by ABI show how leasing and factoring business has grown. Part of the reason behind this growth is the poor capitalisation of many Italian industrial and commercial concerns. "There are no fiscal advantages in leasing. It just provides off-balance sheet financing," said a partner with a major audit firm in Milan.

Indeed, leasing is so far off-balance sheet that it is by no means certain that the values of leasing contracts will appear in memorandum accounts.

Although the leasing rental is fully allowable as an expense in the profit and loss account, the substantial front-end payment makes it relatively costly in Italy. But for companies it does offer a way of overcoming the problem of undercapitalisation without increasing debt, and thus without adding to debt recorded in the Central Bank's company risk register, the Centrale dei Rischi. Leasing has proved helpful for banks also, as a means of by-passing Central Bank restrictions on medium-term lending.

That there has been a downturn in the rate of growth of leasing in the three years 1981 to 1983 is attributed partly to the market reaching maturity, and partly to the recession. The past year's upturn in industrial activity is therefore expected to have a positive effect on demand for leasing services.

At the short-term end of the financing spectrum, factoring is widely acknowledged to have been an extremely important innovation for Italy. Offering cash-strapped companies a way of realising receivables and easing the financing burden on their balance sheets, and banks a way around the central authorities' lending ceilings until these were removed, factoring is booming. According to experts there is ample space for more growth.

Bankers express the belief that the demand for financial services will continue to expand. Fierce competition for deposits, decreased margins on banking intermediation and an increasing awareness that times are becoming harder are forcing banks to look for ways to bolster results. Leasing, factoring and financial services to corporate customers, and the development of consumer credit for the family sector, are already helping to lift the bottom line.

Last year's results from Citibank, the largest foreign bank operating in Italy, illustrate the trend. Its non-banking services yielded profits of L16.4bn, against a meagre L1.7bn from banking.

Leasing and Factoring

(Lire bn)

	1979	1980	1981	1983	1983
Total value of current leasing contracts at year end	2,389	3,387	4,679	6,273	8,200
Total turnover of factoring companies during year	798	1,176	2,250	4,337	6,500
Total value of syndicated loans during year	952	1,903	2,705	4,950	n.a.

Source: ABI.

Evidence of an ugly reality

Banking in Sicily

ALAN FRIEDMAN

ONE CANNOT tackle the subject of finance in Sicily without confronting an ugly reality that the Mafia is involved in several banks.

This is not to suggest that the majority of banks are Mafia-controlled or used for the laundering of profits from drug smuggling, extortion and kidnapping activities. But Italian authorities make no pretence—in private—about the situation.

The Mafia uses banks in Sicily to channel illicit funds from criminal activities. This is called laundering. The receipts from drug smuggling, for example, can be huge and it is necessary for the Mafia to transfer the funds both inside Italy and abroad.

For this reason the Mafia has been in the habit of taking control of certain banks, generally smaller institutions. The more branches there are scattered about Sicilian villages, the harder it is for the police to keep track of Mafia fund transfers.

In Sicily, unlike on the mainland of Italy, it is easier to open new branches. This is because the Bank of Italy, which is very strict about branch openings on the mainland, has less authority in Sicily. And this facility allows the Mafia to expand its ownership of banks and financial transactions.

Branch openings over 30 years tell the story. Between 1952 and 1982 some 5,000 branches opened on the mainland of Italy (and Sardinia), a growth of 64 per cent. In Sicily 628 branches were opened, a 125 per cent expansion rate.

Sicily, a backward economy with all of the development problems associated with Italy's impoverished south, has 1,131 branches of 104 financial institutions — 10 per cent of Italy's total. Sicily is, in the words of one Rome official, "highly overbanked." It staggers the imagination that the island could need more than 1,000 branches.

A big problem for the Bank of Italy, for the local police or the State Guardia di Finanza (fiscal police) is the large degree of autonomy enjoyed by Sicily. The island's authorities do not have absolute power to allow branch openings, but in practice they have something like complete control.

When it comes to authorising branch openings for small local banks, the regional government in Palermo has a great deal of discretionary power. When a request comes through, the Sicilian authorities pass on the proposal to the Bank of Italy, Treasury and an interministerial committee in Rome. The branch can then be opened if the committee does not object within four months.

Rarely has the committee managed to take decisive action within the statutory period. It is mired in the same kind of bureaucracy which troubles much of the Italian Government — to say nothing of political interests in a multi-party coalition government.

In the past year the committee has held two meetings — hardly the kind of frequency which is useful when action is required on Sicilian requests within 120 days.

Another problem is that in some cases the regional government of Sicily has the final word. For example, if there is not already a bank branch in a village, Sicily can go ahead with approval. There is no dearth of villages on the island.

Then there is the problem of regulating Sicilian banks. Methods of the Bank of Italy and regional authorities may be different. Co-ordination is not easy. The situation appears to be improving, but slowly. Nonetheless, in 1983 there were no new branch openings on the island.

Not so simple

But what happens if a Sicilian bank is doing badly, perhaps facing liquidity or solvency problems? In cases in the south of Italy, the central bank will often call upon a northern Italian bank to step in for a rescue. But it is not necessarily so simple in Sicily.

Furthermore, small banks in Sicily may be doing badly for reasons other than Mafia penetration and exploitation. The local economy, bad debts and more traditional problems can also afflict the small institutions.

The record of Bank of Italy inspections over the past three years does not suggest a regulatory blitz in the south. Out of 448 inspections only 99 were in the three southern regions, where organised crime is most likely to be active—Sicily, Calabria and Campania. These regions had 26 inspections in 1981, 32 in 1982 and 41 last year. Figures are not available for the number in Sicily, but it amounts to only a handful.

Only one Sicilian bank in recent years was closed by a magistrate, who went to the Bank of Italy and declared it was a Mafia bank. The The Central bank's powers of scrutiny are limited to investigation and information control, however.

The real investigations of Mafia penetration in the banking sector tend to be by magistrates, local police and the Guardia di Finanza. But the central bank can work with the police in an arms-length manner. In the past two years, for example, it received 1,500 police requests for information regarding banking problems in Sicily, Calabria and Campania.

The problems continue to be in small, often village-based banks. The medium and larger Sicilian banks are not where Mafia manipulation occurs frequently.

Prospects of making much headway against the financial activities of the Mafia would appear to remain limited. It will take a long time, say officials, before a real dent is made.

A cautious Tuscan institution

PROFILE

Monte dei Paschi di Siena

DAVID LANE

SIENA'S PALIO may not be the Grand National, but it offers the closest experience to Italian jockeys who want to live dangerously.

Twice a year they have the chance to set their adrenalin surging by racing bare-back three times around the city's Piazza del Campo. There is no shortage of fallers on the tightly curved track, with its fiendishly treacherous surface.

The opposite, however, holds true for the city's bank. Founded in 1472, the Monte dei Paschi di Siena has sound claims to be the oldest bank in the world, and its image is firmly traditional, with solidity and prudence writ large.

The Monte dei Paschi does not seek to be spectacular. Indeed it is often described as being provincial and rather slow, and it has the reputation for being backward in introducing technological change and automating its procedures.

Its name alone singles out the Monte dei Paschi as somewhat special. The bank started as a "Monte di Pieta," a pawn institution where goods could be pledged as security for loans, but new statutes drawn up in 1624 allowed it to work as a normal bank.

"Monte meant pool or pile of money," said 51-year-old Sig Barucci, who until his appointment to the chairmanship of the bank last year was professor of economics at Florence University. "Paschi referred to public pastures in the Maremma area of Tuscany, income from which was given to the bank by Grand Duke Ferdinand II of Tuscany to provide working capital.

"The Monte dei Paschi was unique from its inception. In an age when religious involvement in the Monte di Pieta was the rule, Siena was an exception. Generally the Franciscan friars minor established and ran the banks as charitable bodies to combat usury. But in Siena, the bank was founded by the city's authorities."

Autonomy

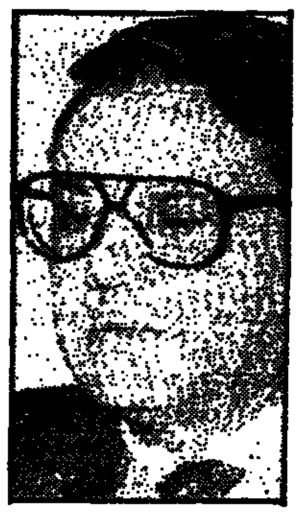
Five centuries later the relationship between the city and the bank, now a public law credit institution, continues to be close, although both sides are jealous of their autonomy. Of the bank's eight-strong board of directors, still given its ancient title of "deputazione," four are appointed by the city of Siena and one by the Sienese provincial authorities. Only three, including the chairman, are nominated by the Government in Rome.

Since Siena has one of Italy's highest votes for the Communist Party, the political colour of the directors appointed by the city can be easily guessed, although party politics do not appear to be a source of conflict in the management of the Monte dei Paschi.

It is easy to appreciate, however, the importance attached to the top appointments in Italy's public banks. Boards' responsibilities for profit distribution offer substantial levers of power and patronage. At the Monte dei Paschi, half of profits (last year L25bn) are generally allocated for works of public benefit in Siena and its province, while the remainder goes to reserves.

The financial statements underline the prudent accounting policies which the Monte dei Paschi has adopted. The Siena Bank ranked eighth in Italy's banking league table in 1983, with L27,400bn of managed capital. Its earnings from banking activities placed it seventh, while on cash flow it ranked fourth, and this is a fundamental measure of health and performance according to Sig Barucci.

But in terms of net profit, the bank took a lowly 26th place, provisions and depreciation accounting for L361bn of income.



Sig Barucci: taking a cautious approach

The Monte dei Paschi has displayed the same caution in developing its overseas activities. "It is important to avoid steps which are longer than one's legs, and anyway to make sure that one foot is always on firm ground," said Sig Barucci. "This careful approach has guided the bank's expansion abroad.

"There are major markets where a bank like the Monte dei Paschi must be present, and indeed we are in New York, London, Singapore and Frankfurt."

But the bank is also interested in setting up in places less financially cultivated and further from banking's beaten track. Last month a representative office was opened in Cairo, while in the medium to long-term, of five to 10 years, there are ambitions for an expansion of activities which would take the bank to Bahrain, India and Australia. With a representative office in Sao Paolo, Brazil, the Monte dei Paschi has a foothold in South America.

Italian International Bank in London, the bank's wholly-owned subsidiary, plays an important part in the Monte dei Paschi's overseas operations.

"Being a foreign bank, and not merely a branch of the Monte dei Paschi, has several advantages," sad Sig Barucci. "Apart from the wider scope which it offers, retail, medium-term and merchant banking, it also provides us with speed and agility which would otherwise be lacking."

Recent accusations that the Italian International Bank created obstacles in the complex financial manoeuvrings which lay behind the Electrolux salvage of the Zanussi white-goods company are unfair and unfounded, according to the Monte dei Paschi's chairman.

"The IIB is an English bank in all effects, in its authorisation, operation, fiscal conditions and supervision. Its loans to Zanussi had to be treated as foreign bank loans," said Sig Barucci

Although the bank operates on a national scale in Italy, its provincial roots are still evident, with about 60 per cent of the 420 branches located in Tuscan towns and cities. Because the Monte dei Paschi holds a 92 per cent stake in the Banca Toscana, an interest acquired in 1929, there tends to be duplication and overlapping with the Banca Toscana's 200 branches. But the worst are gradually being removed by branch closures.

"Business and industry in Tuscany require a comprehensive branch network," said Sig Barucci.

"Tuscany's manufacturers have been extremely successful in selling their goods abroad. This is one reason why the Monte dei Paschi must offer foreign services."

The sparks are flying

PROFILE

Giovanni Goria, Treasury minister

BY JAMES BUXTON in Rome

"GORIA out! Goria out!" The cry, echoing round the stately Treasury Ministry in Rome, did not come from demonstrators outside the building. Instead it came from the ministry's own staff, thronging the courtyard and yelling abuse in the direction of the minister's suite. The protestors even locked the minister's own chief of cabinet in his office.

The incident, which embarrassingly happened just after the minister presented his 1985 budget, gives a good idea of what kind of man Giovanni Goria is. For it was provoked by his attempt to clamp down on the lax time keeping and languid habits of the Treasury's vast clerical staff.

The minister wanted them to keep to the none-too-demanding official working hours, and to drink their mid-morning coffee at bars on the premises rather than wasting time going to bars outside the building. The whole affair is called the "Capuccino war" — but it looks like a war that Sig Goria will win.

For Sig Goria can be tough. When he first became Minister of the Treasury almost two years ago in the Government of Sig Amintore Fanfani, scarcely anyone had heard of him and there was criticism that one of the three or four most important jobs in the Government had gone to a man who had never been a minister before and who was, at 39, the youngest man in the cabinet.

One does not hear that sort of talk any more. Within the extremely limited room for manoeuvre that the Treasury Minister enjoys Sig Goria can count as a reasonably successful minister. He is also — thanks in part to an endless stream of Press interviews—beginning to make some impact on the public, and is starting to challenge some of his ministerial colleagues, including men with much more ministerial experience than himself.

Sig Goria is anything but the unctuous, pin-striped figure that the European public expects a Treasury minister to be. He is fairly short but broad-shouldered, with a black beard. He speaks unemphatically, almost inaudibly, his words apparently lost in his beard. But what he says is invariably straightforward and pertinent, without flights of rhetoric but also without exaggeration.

Stark contrast

It is all in stark contrast to Sig Goria's predecessor, Sig Nino Andreatta, a brilliant economist whose tendency to spew out ideas and invective led in the end to his downfall. Sig Goria is diligent and painstaking, but he does not make sparks fly.

In this he is a typical Piedmontese. He comes from Asti, in the rolling hills east of Turin. Far from being an economist, his training was as a junior accountant. As a young man he became involved in local politics with the Christian Democrat Party and in 1976 was elected to parilament. He set himself to work studying the Byzantine and often chaotic system of government finance and for a time served as a junior economic minister.

Then he joined the economic staff of Sig Ciriaco de Mita, the Christian Democrat leader who became party secretary in 1982 on the platform of introducing greater "rigour" into the management of the economy and state institutions. It was under Sig de Mita's patronage that Sig Goria became Treasury Minister.

Sig Goria: if inflation is to go on falling, then wage rises must be held down—and the Government must set an example with its own 3m civil servants, he insists

Applying "rigour" to the Italian economy has never been easy. Governments can rarely bring themselves to take decisions that might offend voters or special interest groups, so cuts in official spending are almost impossible to make. On top of that the Treasury, though it disburses all government funds, has almost no way of blocking spending commitments once they have been taken by other ministries and endorsed by a munificent parliament. Nor does it have any say on taxation—that is the responsibility of the Ministry of Finance.

Yet the enormous government deficit — representing over 15 per cent of gross domestic product—is widely acknowledged to be the fundamental cause of Italy's high inflation, not to mention the fact that the accumulated debt is, as the International Monetary Fund once put it, a time-bomb ticking away under the Government, absorbing ever higher sums in interest payments as it does so.

Sig Goria is well aware of this, but in his first year as minister he saw his target overshoot by a good 10 per cent. This year, however, the PSBR target is likely to be missed by much less, thanks to a fortunate combination of lower than expected disbursements and higher than expected tax revenues.

The minister is also in the happy position of presiding over a fall of the inflation rate below ten per cent for the first time since 1973 and a rise in the economic growth rate of more than two per cent a year.

Yet it remains to be seen whether next year's budget target will be met so easily, nor is it certain that inflation will go on falling. Sig Goria, perhaps rather rashly, told foreign bankers recently that his Ministry was planning to get the current—as opposed to the capital—part of its deficit down to zero by 1988. That would mean roughly halving the deficit as a proportion of gross domestic product—it currently makes up about 15 per cent.

Challenges

That means challenging the big spending ministries. Sig Goria is now trying to cut the easy access to subsidies enjoyed by the chronically loss-making industries, which is bringing him into conflict with Sig Clelio Darida, the Christian Democrat minister responsible for handing out the subventions.

But the real issue for next year is over pay. If inflation is to go on falling, wage rises must be held down and the Government, as Sig Gorio himself has said, must set an example with its own 3m civil servants, whose pay is set to break the Government's seven per cent norm as a result of regular indexation alone, ignoring contract negotiations in the pipeline.

"If anyone tells me we must not do anything about it they had better explain how we are going to bring inflation down," says the minister.

Yet Sig Goria's critics argue that he is not actually doing very much, especially in cutting those special indexation procedures for state employees which is is within his power to alter. The fact is that the word "rigour" has vanished from the lips of most Christian Democrats, notably from those of its inventor Sig de Mita.

The last thing the party wants is an army of aggrieved civil servants, smarting at the loss first of their coffee breaks and then of their pay rises. If Sig Goria fails to tackle the civil servants' pay it may be because, at the start of what could be a long ministerial career, he dares not make himself too unpopular, especially within his own party.

Small by world standards

The stock market

ALAN FRIEDMAN

IF YOU added together the market capitalisations of each of Italy's 10 stock markets, including the all-important Milan bourse, you would still have a total value which is around one-tenth the size of London's $200bn-plus market capitalisation.

Italian stock markets are small by world standards. With the exceptions of the Milan bourse, they tend to have literally only a handful of stockbrokers (places such as Venice or Palermo have only one or two). Even the Milan market, which accounts for around 92 per cent of Italy's share transactions, can be quite a provincial affair.

There are only around 150 companies quoted on the Milan bourse. Italy, as a whole, has 225 registered stockbrokers, of which 120 are in Milan. Thus, there are more stockbrokers in Italy than there are companies traded on the Milan bourse.

But it gets worse: something like three-quarters of share-trading in Milan actually takes place away from the official market and in private conversations among the big institutional players—the banks and insurance companies. Insider trading is all too common a feature of Italian stockbroking, as is speculation. And Italian stock markets cannot truly be regarded as a serious source of corporate risk capital.

Shocks

Milan is, after all, the city which hosted the notorious late Sig Roberto Calvi and his Banco Ambrosiano. The bourse was rocked by the Ambrosiano affair, as it was before by the wheelings and dealings of Sig Michele Sindona, the convicted Sicilian financier.

Then there was Sig Carlo Pesenti, the late Catholic financier who died a few weeks ago just hours before he was due to stand trial on charges of fraud. Ever since his death the Pesenti empire—run by the Master Italmobiliare holding company—has been the subject of intense stock market speculation.

Likewise, when the Rizzoli-Corriere della Sera publishing group was being taken over a few weeks ago Milan's *Golpisti della Borsa* or coup-makers of the market, were in action again, playing around with shares in La Centrale, the financial holding company of Nuovo Banco Ambrosiano which had 40 per cent of Rizzoli.

The Milan bourse makes an occasional pitch at foreign investors, and, indeed, there is quality to buy in names such as Fiat, Olivetti and others. But Italian stock markets do not attract domestic or foreign small investors—it is too easy to come away with burnt fingers.

The Italian stock market authority—Consob—has until recently been regarded as a joke. Set up in 1974 at Italy's answer to the SEC, it has remained fairly inactive until this year. Earlier this year Sig Franco Piga, a veteran Rome politician, took over the task of bringing some order to the equity markets. He is an honourable man with dedication and clout, and he needs to be wished well.

His goals are to bring share dealings inside the bourse, to urge companies to capitalise adequately and to improve accounting procedures. It is no easy task.

Take the example of Milan's resistance to the creation of a truly integrated national stock market. Two years ago the nine regional bourses away from Milan banded together and established telephone share price co-ordination. Dr Giuseppe Gaffino, vice-president of the tiny Rome bourse, says he has the support of the Bank of Italy for a unification. A fortnight ago, Sig Piga and the Italian Bankers Association, got behind the idea as well.

But Dr Gaffino comments: "We asked 20 times in official meetings with the Milan bourse for co-operation and they said 'no' every time. They don't want to lose business."

Cynicism

One of the deans of the Milan Bourse, Dr Urbano Aletti (former bourse chairman and former senator), displays Milanese cynicism about the idea.

"Milan would like to co-ordinate and unify the bourses, but the others must send stockbroker representatives to Milan. We do not yet have an electronic structure for full co-ordination and the telephone connections are not that effective," he notes.

Dr Aletti points to some of the tinier regional bourses and says: "These are not bourses. They are jokes."

As far as he is concerned, "Rome is to Milan what Dublin is to London—insignificant."

Nonetheless, all is not black. The start of new investment funds is being touted in Italy as a way of attracting new savers to the market. Perhaps they will (although there is some likelihood that the unit trust-type funds will be run by the same old crowd of big players).

Some new companies are coming to the market—witness the arrival of the L'Espresso publishing group, of Danieli, the mini-steel mill maker, or plans for a partial privatisation on the Bourse of Saipem, the state oil and gas pipelaying and drilling company. But Milan insiders still yearn for a larger number of companies, and for a generally higher standard of company.

One bright development for the Milan Bourse is Fiat's major capital increase, which will result in the largest single issue ever launched on the stockmarket. The issue is cause for some cheer as it brings together a quality name and stockmarket excitement.

Unfortunately, big rights issues in Italy are not the same tradition as in London. Company capital more frequently comes from the banks, which are far and away the mainstay of Italy's financial system.

The failure to create sophisticated stockmarkets in Italy is unfortunate because it means the banking system is still the predominant source of capital. Work is underway to change this situation, but as the Italians would say, *ci vuole un po' di tempo* "one needs a bit of time."

Savings banks lead the way

Banking automation

DAVID LANE

PERHAPS IT says something about the quality of banking services that, notwithstanding an enormous choice of banks, Italians prefer to use cash. A recent survey conducted by the Italian banking association, ABI, revealed astonishing facts about payment methods: 73 per cent of taxes, 67 per cent of electricity and telephone bills and 42 per cent of mortgages are paid in cash.

Several reasons unconnected with how the banks perform also help account for the close attachment to ready money. In spite of industrialisation a large number of Italians still work in farming, and rural culture is certainly not banking oriented.

In addition, the widespread use of the postal giro system for settling bills requires cash rather than banking instruments for funds transfer. Moreover, the wheels of the thriving black economy turn more easily when bank notes change hands.

With ready money a well-entrenched Italian habit, it is unsurprising that the first outward sign of automation in Italian banking was the introduction of the Bancomat national cash dispenser system. Indeed the current publicity campaign for Bancomat cash cards plays on the public's "immediate need for cash," offering cash convenience 24 hours-a-day, each day of the year and in every part of Italy.

There is some evidence that the hearts and minds campaign waged by SIA (Societa' Interbancaria per l'Automazione is the ABI offshoot responsible for Bancomat) is achieving results. At the start of this year there were 1.8m cardholders, compared to 460,000 at the beginning of the six-month trial period which ended last October. SIA says that the number of cardholders is now 2.5m, and that the target of 3m for the end of this year should be reached.

While the advertisements' claims that there are thousands of ATM's would probably fall foul of advertising standards in Britain, the numbers of installations has risen rapidly. Today there are 1,600 in operation, compared to 600 one year ago. SIA had hoped to have 2,000 ATM's working by the end of the year, but the figure will probably be around 1,800.

SIA expects that next year there will be a further big step forward in the visible aspects of banking automation. Like the ATMs, electronic funds transfer at point of sale (Eftpos) will have a direct impact on the public. An Eftpos experiment, involving between 1,300 and 1,500 terminals, is due to get underway next summer at sales points in the cities of Milan, Rome, Turin, Genoa and Verona, and in the whole Emilia Romagna region.

Controversy

Introduction of Eftpos has not lacked controversy, its relatively slow take-off drawing complaints from the savings banks. In contrast to their old-fashioned and unprogressive image, Italy's savings banks have led the way in automation.

Bancomat is the savings banks' Carismat system renamed, with the addition of other banks and the projected data transmission network on which SIA is currently working uses software from the savings Banks' network Stacri. The fact that the savings banks were ready with Eftpos two years ago but were obstructed by red tape has caused resentment.

While Bancomat and Eftpos provide the visible signs of the electronic revolution which Italian banking is undergoing, there have also been major strides into the banking future which are not so apparent to the public eye.

The data network is one such example of behind-the-counter change, invisible to the customer but which ought to bring noticeable improvements in efficiency.

Italy's fragmented banking system with its 1,100 different credit institutions often provides a painfully slow service, especially in cheque clearance. Depending on which bank is used and who the customer is, crediting out-of-town cheques takes from five to ten days, while the time for cheques drawn on banks in the same town is generally three days.

IN theory, the data transmission network should allow these delays to be significantly reduced. Indeed the savings banks already provide an example of what can be achieved with their Stacri network. For some of their business customers, funds are credited within 24 hours of payer's instructions. The popular co-operative banks also operate a data transmission network which links institutions in the category.

But for all the criticism which is levelled at the banks for their lack of efficiency, they cannot be accused of under-investment in new technology. Five years ago Pactel estimated that the Italian banks' expenditure on data processing hardware amounted to US$73,000 per branch, which was one of the highest figures in Europe. Since then the pace of investment has increased significantly.

Honeywell Information System's yearly reports on the Italian data processing market provide good insights into what is happening in the DP world of the banks. As regards software, Honeywell points to the greatest workload arising in applications for head offices (foreign operations, bonds and accounting), and that generally speaking the problems of on-line teleprocessing of current and deposit account information to branches have been solved.

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The pattern of expenditure on hardware has shifted considerably. While investment in mainframes has slowed down, the banks are apparently drawing breath after widespread upgrading in 1981-82 to take advantage of the new technology and improved system performance. Expenditure on mini and micro-systems rocketed last year.

Training

Honeywell says that the main uses of small systems are either in the branch network for the concentration or local management of transactions, or as dedicated systems for particular functions in head offices.

Helping bank staff to accept and employ new technological resources effectively is a major problem for Italian banks. The old style bank employee, wielding pen and pushing paper, should become extinct. But the question is when? Computing literacy is low, particularly among managers and the middle-aged, and existing practices and procedures stamp heavily on flexibility.

Banks are therefore focusing attention on training and retraining programmes, and methods of introducing change are being carefully studied.

An affable professional

PROFILE

Dr Lucio Rondelli of Credito Italiano

ALAN FRIEDMAN

LUCIO RONDELLI'S first love is his Leica 35 mm camera. Quite how Mrs Rondelli feels about this the affable managing director of Credito Italiano did not say.

What is clear, however, is that apart from his strenuous duties as one of Italy's most senior domestic bankers, Dr Rondelli enjoys a wide range of aesthetic interests, including his passion for the opera at La Scala and his amateur photography (besides the Leica there is an assortment of Hasselblads, Rolleis, Polaroids and antique machines from the 1920s).

There is a romantic streak in Dr Rondelli, in spite of his conservative and cautious approach as a banker with 37 years of experience at Credito Italiano. His eyes twinkle when he recalls the four years (1959-63) he spent as regional director for the bank in Venice: "A most delicious and splendid city."

Immediately after Venice, Dr Rondelli crossed the Italian peninsula "from the Adriatic to the Tyrrhenian sea" and directed bank affairs from Genoa. The Rondelli family still has an apartment on the coast of Liguria as a favourite weekend hideaway.

In spite of his years at Credito Italiano's head office in Milan, a few paces from the cathedral, Dr Rondelli still considers himself first and foremost a Bolognese. He was born in Bologna in 1924 and received his degree in political economy in 1945 from the University there.

Perhaps the romantic streak developed when he was growing up in a house just behind Bologna's main theatre. "I used to hear music all the time."

But after the war Dr Rondelli harboured no desires to be a musician, let alone to go into banking.

"I wanted to become a diplomat. I was young and I wanted to travel the world," he recalls. So he started studying international law and foreign policy, but gave up hopes of entering the diplomatic service when he learned that only 24 candidates were being accepted and half of these were on a waiting list from 1938.

"I decided that my chances in diplomacy were very slim. Instead I decided to concentrate on being a banker, as I had an offer from Credito Italiano."

He started as a clerk in a Credito Italiano branch, and worked his way up to the top in the tradition well-known to British clearing bank executives.

Dr Rondelli has been managing director of Credito Italiano for Italy since 1969 (his counterpart on the foreign side is Dr Mario Rivosecchi). When Dr Rondelli was appointed to the top slot 15 years ago at the age of 45, he was considered young by Italian standards.

During his tenure at Credito Italiano, Dr Rondelli has seen what he terms "a grand transformation in Italian banking." Some 20 or 30 years ago, Italy was still a rather agrarian society undergoing rapid industrialisation.

"The big Italian banks were always wholesale in the past. We have only recently developed our retail banking as an important priority," Dr Rondelli comments. Branch expansion was hindered for the big banks because of the Italian central bank's traditionally slow and stringent controls on the opening of branches. As an example, Dr Rondelli notes that it took more than 20 years for the Bank of Italy to approve the opening three years ago of a Credito Italiano branch in Carpi, the knitwear centre near Modena.

Unlike some Italian bankers who would like to sweep under the rug any discussion of the inefficiency of

Dr Rondelli: strong supporter of new technology and automation

branches, Dr Rondelli is direct and open.

"This country has one of the most obsolete payment systems in the world. Maybe we have not moved fast enough. Maybe there are cultural reasons. When you enter a branch you see a group of people crowded around a cashier. This is a country where standing orders are not the norm—you can get very tired just going to try and pay your gas or electricity bill at a bank."

Dr Rondelli is a strong supporter of technology and bank automation. He sings the praises, quite justly, of the national network of Bancomat cash dispensers which are changing Italian retail banking habits. His bank was a pioneer in introducing British-style cheque guarantee cards, although these are still not very useful or widespread in Italy.

Dr Rondelli makes no bones either about his views on the privatisation of state banks. Credito Italiano is one of three banks of national interest controlled by the IRI state holding group: IRI has 76 per cent of Credito Italiano, the smallest participation of the three banks.

While Dr Rondelli does not oppose selling shares to the public, he does not feel that privatisation will make banks more efficient. "We will become more efficient by working harder," he says.

He is also open in his views about the politicised nature of some top bank executives at Italian institutions. "I am against the politicisation of banks. I don't like the old terms of Catholic bankers and lay bankers in Italy. I want bankers to be professional bankers. The general interest demands this."

Dr Rondelli becomes slightly cagey about his own politics. Who did he vote for in the last election? "That is a rather indiscreet question," he responds with a smile. "When I was a student my politics were the politics of mathematics and economy. Now I am neither on the right," he says with a flourish of his right hand, "or on the left side."

The implication is that Dr Rondelli may have voted for the Republican Party in the last election—but he isn't saying.

Indeed, the good-humoured Dr Rondelli appears less political than most Italian bankers. His politics, if one takes him at his word, are the politics of photography, or evenings at La Scala and of walks along the Ligurian coast.

Money market tensions create difficulties

SUSTAINED FINANCIAL acrobatics are needed to keep business volumes up and to maintain profit levels, claims a senior manager in Milan's foreign banking community.

But Italy's financial circus is currently providing few thrills for bankers, and those with foreign credit institutions have even less cause to be excited than their colleagues in local banks.

Foreign banks

DAVID LANE

Everyone agrees that reduced deposits are the main reason why banks are being forced to perform balancing acts. The state's insatiable appetite for funds and the attractive tax-free returns on Treasury bonds have even converted lazy and conventional savers.

Why keep money in bank deposit accounts, paying about 12 per cent liable to tax, when state certificates are yielding two points more, tax-free?

Because foreign banks generally lack a base of local depositors, the interbank market provides their principal source of funds. Last year's balance sheet at the Citibank, largest of the foreign banks operating in Italy, illustrates the size of the problem. Against L63bn of customers' deposits, Citibank held L898bn of bank deposits.

So the tension in the money markets, caused by a shortage of funds and increased local competition for them, is creating difficulties for foreign banks in obtaining deposits at reasonable prices. And whereas previously it had been possible to turn to international markets, the central bank has now closed that door by a freeze on international borrowings.

Italy is certainly less interesting now to foreign banks than it was five or 10 years ago. In 1970, there were just four with a total of five branches, figures which trebled by 1975 to 11 banks and 15 branches. During the following five years the number of foreign banks continued to rise, albeit more slowly to 26, while the number of their branches increased to 35.

Since 1980, the rate of growth has slackened further, and although the market is not so attractive, an element of saturation has also contributed to this slowdown.

Latest figures from the Italian Banking Association put the number of foreign banks at 34 and the number of their branches at 53. Representative offices now total 47, compared to 35 in 1980 and 31 in 1975.

As conditions have become tougher, foreign banks have been the first to feel the draught, and new arrivals are probably feeling the chill worse than most. Rigid cost structures are bad for profits when business volumes turn down and margins contract. It is not surprising therefore to hear talk of pull-outs.

Tight margins

"Certainly margins are tight and with fixed costs rising we are staring at lower profits," admitted Rodolfo Menna, central manager at the head offices of the Banque Nationale de Paris (BNP) in Milan.

Second largest of the foreign banks, the BNP was ranked 74 overall in Italy last year, and 353 in terms of the volume of customers' deposits. Like all non-Italian credit institutions, the BNP is heavily dependent on inter-bank borrowing.

The French bank's net profit of L1.1bn last year (significantly down from L2.2bn in 1982) placed it 270 in the Italian banking system. Nevertheless the BNP is not pessimistic—"Italy still offers opportunities, provided that local banks are matched both in traditional services and in new financial services," said Sig Menna.

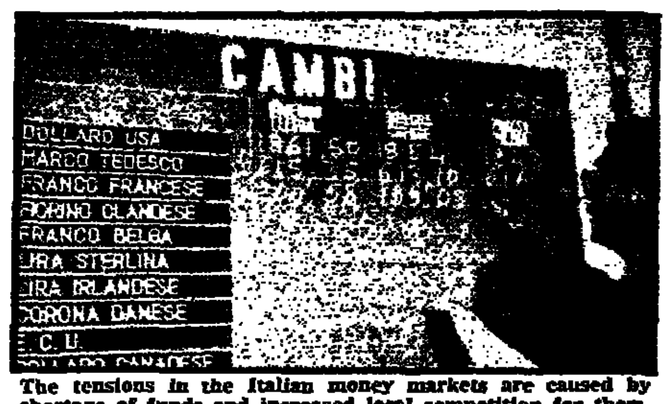
"We are not just here to serve our French customers—we aim to develop business with Italians as well," said Sig Menna.

Three years after opening its first branch in Milan, the BNP set up a second in Rome in 1982. Moreover, it has ambitions to transform its Turin representative office into a branch and, further into the future, to open branches in the wealthy Emilia Romagna region and in Liguria.

Inevitably, Milan, an industrial and financial centre with a character more Northern European than Latin, has been the target destination of most foreign banks coming to Italy. In fact, some 60 per cent of all branches of foreign banks are located in Milan, against 30 per cent in Rome. Generally, the first stop is Milan, followed by Rome, and then other cities.

An exception to the rule is the UBAE Arab Italian Bank which headed directly for the capital when the bank was established, ten years ago. One reason, said assistant general manager, Giorgio Cattan, is that minority shareholders in the bank include Banco di Roma, Banca Nazionale del Lavoro, Banco di Santo Spirito and other offshoots of the state holding company, IRI, and the state hydrocarbons corporation, ENI, which all have headquarters in Rome.

Another reason why Arab Italian Bank chose the capital for its first Italian branch stems directly from the nature of the bank's business.



The tensions in the Italian money markets are caused by shortage of funds and increased local competition for them. Above: record quotations for the dollar being displayed at the Milan Stock Exchange

"Political and economic factors favoured Rome because it is a meeting point of Arab and Italian interests," said Sig Cattan. Milan may be where goods are produced, but Rome is where deals are made and the foods delivered.

Viewpoint

Fifth largest of the foreign banks in Italy (101, overall), the UBAE Arab Italian Bank is not exempt from having to call on the interbank market for most of its deposits from banks amounted to L954bn, against which deposits from customers were only L33bn. Yet the bank achieved net profits of over L8bn, which ranked it 69, level with the Banco di Napoli, 30 times as large.

"Obtaining funds on the interbank market is not difficult. Very narrow spreads are the problem," said Sig Cattan.

Foreign banks have tended to lend to large low-risk customers which are able to negotiate low interest rates. But Sig Cattan thinks that there could be a movement towards lending to smaller, Italian customers from which higher intermediation margins can be obtained.

The UBAE Arab Italian Bank deals mainly with the Arab world; one quarter of the total trade between Italy and Libya is handled by the bank.

Innovation in financial services is essential, confirmed Citibank's marketing manager, Giovanni Foffani. Two or three years ago credit restrictions and spreads of up to six points provided an easy path to profits. But many highly-rated customers are now able to negotiate loans at around interbank rates, making banking intermediation very unattractive. So alternative ways of generating profits have to be found. In fact, last year Citibank's traditional services earnt only L1.7bn, while its financial services turned in net profits of L18.4bn.

Sig Foffani said that while financial services will be a crucial component for successful development in Italy, foreign banks will also have to change their characters. This will mean moving away from a customer base which mainly comprises multinational corporations, and becoming more Italian by going down-market to obtain business from medium-sized Italian companies.

Republic makes a key change in strategy

Foreign borrowing

PETER MONTAGNON

THIS YEAR has seen a big change in Italy's foreign borrowing strategy. For the first time the republic itself has come to the market instead of relying on a plethora of state sector entities to cover the country's foreign financing needs.

In August, the republic launched a $500m floating-rate note which was followed up last month by a further $1bn issue bearing terms about as fine as those achieved by any sovereign borrower in this sector of the international capital market.

Led by Merrill Lynch, the $1bn issue bears interest at a margin of ⅛ point above the mean between the London Interbank bid and offered rates for Eurodollar deposits. This is about 1/16 point below the more conventional offered-rate yardstick and the 10-year paper was still launched on the basis of very low fees, amounting to just 14¼ basis points in all.

It would be easy to assume from these terms that Italy's credit has received from the market the recognition that the Bank of Italy and the Treasury have always felt it deserves. But that would be a superficial judgment.

Though Italy has been able to benefit from the general decline in margins for European borrowers in the Euromarkets this year, its popularity still lags far below that of borrowers in Northern Europe. And this caution is clearly reflected in a rather lukewarm response to the $1bn floating-rate issue which led many bankers to suggest that the lead manager had had to support it in the secondary market.

One of the main purposes of launching borrowings in the name of the republic was to establish a benchmark rate for Italy in the Euromarkets and get away from the feeling that the market has tended to discriminate against Italian names compared, for example, with those brought to the market by Spain.

The final settlement of outstanding issues surrounding the collapse of Banco Ambrosiano two years ago seemed to make this a good moment for such an approach. The creditors of Ambrosiano's Luxembourg holding company have lifted their unofficial boycott on Italian business, making new borrowings easier to place.

At the same time, an improvement in Italy's balance of payments means that it is no longer scrambling for foreign loans. Figures from Morgan Guaranty Trust, the U.S. bank, show that Italian borowings in the Eurocredit market fell last year to $2.98bn from $3.76bn in 1982 and $6.03bn in 1981. This trend appears to have continued in the first eight months of this year with new borrowings slipping to $1.7bn from $1.9bn in the same period of 1983.

This fall has not been fully offset by a slight increase in bond market borrowing, though the latest $1bn floater will place the accent much more firmly on bond market operations.

All this means that Italian paper which once swamped the Euromarket has gained something in scarcity value, a factor which assumes additional importance when one considers the general shortage of new business for Euromarket banks. Latest official estimates suggest that Italy can continue to keep a relatively low profile for the time being.

Bank of Italy officials say they still expect Italy's total medium-term borrowings at the end of this year to be little changed on the $40bn recorded for the end of 1983. This is in spite of a worse-than-expected balance of payments that should show a deficit on current account of some $1bn.

Temptation

This deficit will be covered by other means, including short-term borrowing abroad by the Italian banking system. As a result, essential capital market borrowing by Italy this year has been generally limited to the refinancing of maturing debt. Here the total needs are between $4bn and $4.5bn, of which some $3.5bn had been completed by late October.

But Italy has been unable to resist the temptation to refinance some of its foreign debt at lower cost, with a particularly strong surge of such operations emerging during August. The $1bn floating rate note is a case in point, as it will be used to refinance the $1bn credit raised by the (now abolished) Cassa per il Mezzogiorno in 1981 to finance earthquake reconstruction work in the south of the country.

Apart from that, Italy is estimated to have undertaken more than $1.5bn in non-essential refinancing of future debt.

The distinction between Italy and its North European counterparts shows up clearly. Italy's refinancing efforts have been haphazard and have met with varying success, partly because the market is still reluctant to accord Italy the finest terms in the Eurocredit market.

For example, an attempt by ENEL, the state electricity authority, to refinance a $600m credit arranged through Banca Commerciale Italiana and Deutsche Bank in 1979 has met with an unenthusiastic response. Banks in the credit baulked at the idea of cutting the margin to a flat ⅜ per cent over London Eurodollar rates for 8½ years.

ENEL had more success with an attempt to refinance another deal, the $750m prime-based loan arranged in 1980 through Bankers Trust. The margins were cut from a split ⅜-½ per cent to ⅜ per cent in the first four years, falling to zero in the next four.

This deal met with more success partly because ENEL decided to repay $250m of the total amount and partly because the prime-based interest structure — which is particularly lucrative for the banks — was retained.

Nonetheless, it is a mark of how rapidly times are changing in the Euromarkets that ENI, the state energy concern, has already begun to look at the possibility of refinancing the 450m ecu credit signed last spring. That credit bore a split margin of ⅜-½ per cent, which for a long time were standard Italian terms.

That it is already a candidate for refinancing is a pointer to the way in which terms have improved for Italy, even if Italian credits are still not viewed with the same enthusiasm as those of countries such as France and Sweden.

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Tuesday December 4 1984

Massey-Ferguson cuts costs to stay on recovery track

BY OUR TORONTO CORRESPONDENT

MASSEY-FERGUSON, the Canadian farm equipment and diesel engine manfacturer, posted its third consecutive quarterly profit in the three months to October 31, with net earnings of $4.4m compared with a $11.9m loss a year earlier. Massey reports in U.S. dollars.

Despite the prolonged recession in the farm machinery market, Massey has achieved a profit of $14.2m in the first nine months of 1984 on sales of $1.13bn, against a $41.1m loss on sales of $1.17bn in the same period of 1983.

Mr Victor Rice, chairman, said the fourth quarter was traditionally a slack period for the industry: "We see no reason to expect any real pick-up in sales."

Massey's return to profitability is due mainly to severe cost-cutting measures and the performance of its Perkins diesel engine division. Sales of farm and industrial machinery declined by 7.6 per cent in the third quarter to $287m, but engine sales rose by 23 per cent to $72m.

The company has continued to cut production. Its combine harvester plant outside Toronto was closed indefinitely in mid-October, after an unexpectedly slow start to the buying season. A 6.7 per cent fall in North American sales during the third quarter was ascribed largely to the suspension of combine production.

Massey's sales have also fallen sharply this year in West Germany (by 41 per cent in the nine months to October), Scandinavia and Italy. Substantial improvements have occurred, however, in Australasia, Pakistan, Turkey and South Africa.

The company's long-term debt totalled $663m on October 31, up from $627m a year earlier. Inventories fell from $520m to $451m.

Canadian aircraft makers lift sales

BY OUR TORONTO CORRESPONDENT

CANADA'S two state-owned aircraft manufacturers posted operating profits and sharply higher sales in the first nine months of 1984.

De Havilland, whose speciality is short-takeoff-and-landing commuter aircraft, reported nine-month earnings of C$5.7m ($4.3m), compared with a C$29.8m loss a year ago. Interest payments and development costs for the new Dash-8 aircraft, however, turned the operating profit into a net loss of C$19.7m, compared with C$123.3m in 1983.

The executive jet maker Canadair, whose other products include water bombers and components, turned an C$83.3m net loss in the first nine months of last year into a C$2m profit. Operating results moved from a loss of C$79.9m to a C$4.8m profit.

De Havilland's sales doubled to C$160.1m, while Canadair's rose by 27 per cent to C$325.6m. De Havilland said that it had firm orders for "much of 1985's planned deliveries."

The Canadian Government announced last month that it planned to privatise De Havilland and Canadair. While Canadian buyers will receive preference, offers from foreign investors will also be considered. Negotiations to sell the two aircraft companies and other subsidiaries of Canada Development Investment Corp to a British Columbia resources company broke down last week.

Venezuelan bid for Rumasa retail unit

By Tom Burns in Madrid

THE VENEZUELAN industrial group Diego Cisneros appears poised to gain control of the Spanish department store chain Galerias Preciados, formerly owned by the Rumasa private holding expropriated by the Spanish Government in February 1983, officials in Madrid said yesterday.

Officials said Diego Cisneros had the edge over a second Latin American concern, Colombian-based Juan Roca group, in the final shortlist for ownership of the 27 retail stores.

A final decision on the sale is expected to be taken at a mid-week Cabinet session and figures of the competing bids have not been made public.

Galerias Preciados and construction firm Hispano-Alemana are the only Rumasa properties still to be privatised.

Rumasa, which was built up by its former chairman, Sr Jose Maria Ruiz Mateos, was expropriated by the Government after allegations that it was on the verge of bankruptcy.

The continuing sales of Rumasa companies, which ranged from hotels to sherry producers are taking place against a background of judicial uncertainty as Spain's highest court, the constitutional tribunal, is reviewing for the second time the legality of the Government's takeover.

A year ago the tribunal narrowly ruled in favour of the Government, but it allowed an appeal lodged by Sr Ruiz Mateos's legal team in October.

Galerias Preciados has an accumulted deficit and losses in the last financial year evened out at Ptas 9.2bn ($52m) on a turnover of Ptas 58bn. The financial state of the department store chain has deterred possible European buyers

SPLIT ON FOREIGN ROLE IN CANADA'S SECURITIES INDUSTRY

Threat to dealers' cosy club

BY BERNARD SIMON IN TORONTO

CANADA'S investment dealers, long regarded as members of a cosy club trying to preserve its exclusivity, are riven with discord as the time approaches for landmark decisions on the future of the domestic securities industry.

Disagreements on fundamental issues such as foreign involvement in the Canadian financial system and the adequacy of the industry's resources have surfaced in recent weeks as nine members of the Ontario Securities Commission (OSC) have taken public evidence in preparation for the commission's review of the competitive position of Canadian investment dealers at home and abroad.

The investment dealers are a uniquely Canadian institution, combining the functions of stockbrokers and underwriters of corporate securities. Their activities have expanded to include deposit taking and trading in commodities and financial futures.

Before the OSC hearings began two weeks ago, a Joint Securities Industry Committee, ostensibly speaking for Canada's more than 100 dealing firms, as well as the country's four stock exchanges, circulated a report urging that competition in the industry should continue to be tightly controlled and stringent curbs be kept on foreign ownership of securities firms.

"The Canadian financial system cannot withstand experimental tinkering," the committee argued.

Several of the largest firms apparently disagree. No fewer than seven of the 15 biggest corporate underwriters have made submissions to the OSC which differ from the joint committee recommendations.

One of the most outspoken dissenters has been Gordon Capital Corp (formerly Daly Gordon Securities), which has a reputation as an innovative and normally low-profile firm. Gordon Capital observed in its evidence to the OSC: "It is time for the domestic industry to become less insular, to look outward (and) to resist the easy fix of hiding behind protectionist regulations."

Gordon Capital played a key role in the OSC's decision to launch its policy review. Earlier this year, the firm proposed splitting its business into two parts, one to be conducted as a normal investment dealer registered with the OSC, the other as an unregulated intermediary based on operations exempted from OSC supervision.

It also proposed a joint venture with the Belgian Bruxelles Lambert group. At present, no individual foreigner is allowed more than 10 per cent stake in a Canadian investment dealer, and the total foreign interest cannot exceed 25 per cent.

The growth in exempt trading is a big irritant to the Joint Securities Industry Committee. These exemptions have allowed intermediaries dealing exclusively with sophisticated institutional clients to become increasingly active in the Canadian market without registering with the OSC or complying with its ownership and capital requirements. Almost half the securities issued in Ontario during the past four years have been made outside the regulatory framework.

Firms like Gordon argue, however, that the industry is over-protected. Not only are Canadian investment dealers losing ground to others, but also the curbs on foreign involvement are depriving them of badly-needed capital, access to new technology and to international expertise.

About a dozen local firms have been forced into mergers and takeovers in recent years, and the proportion of Canadian corporate bond underwritings handled by the domestic industry has declined from 100 per cent to 71 per cent in the past nine years.

There has been a similar fall in its share of equity underwritings. Investment dealers' capital has little more than trebled since 1973, while that of the Canadian banks is nearly six times higher than 11 years ago.

Gordon Capital urged that "regulations which have operated as a straitjacket to impede the ability of the Canadian industry to grow and compete effectively both domestically and internationally must be significantly relaxed."

Its views are supported by such influential firms as McLeod, Young, Weir (leader of the Canadian syndicate underwriting the British Telecom issue) and Merrill Lynch Canada (one of a handful of foreign-owned dealers allowed into the country during the 1960s).

The OSC hearings will come to an end this week and the commission is expected to publish its proposals by next February. They are likely to be followed by regulatory authorities in other provinces.

The divergent views expressed over the past few weeks suggest that it will be almost impossible for the OSC to please everyone.

Steel maker launches C$600m expansion

BY OUR TORONTO CORRESPONDENT

DOFASCO, Canada's second largest steel producer, has launched a C$600m ($454m) investment programme to upgrade and expand its facilities at Hamilton, south-west of Toronto.

The project will include a continuous slab casting unit, modifications to its number two steel making shop, installation of slab heating equipment, two finishing stands and a coiler and coil conveyor.

Dofasco is primarily a flat-rolled steel producer, and the company has benefited greatly from the upturn in North American consumer spending over the past two years. Its main customers include the automotive and appliance industries.

The new investments are scheduled for completion in the third quarter of 1987.

Dofasco's net profit jumped by 62 per cent in the first nine months of 1984 to C$136.6m.

● Net losses at Hudson's Bay Company, the Canadian retailing group, have grown from C$105.9m at the six-month stage to C$166.4m ($126m), or C$7.67 a share, for the nine months ended October 31.

This compares with a loss before extraordinary items of C$84.2m for the first nine months of 1983. Sales in the latest period rose from C$2.9bn to C$3.2bn.

The operating loss in the 1984 period was C$9.8m, compared with an operating profit of C$3m last time. Interest costs of C$146.1m were 16 per cent higher than last year while there was a C$52.9m swing from a tax credit to a tax expense.

● Versatile Corp, a Vancouver-based shipbuilding, engineered products and resources group which bought Canadian Vickers in Montreal several years ago, said its tractor division would be profitable for 1984 and lower interest rates might help to improve demand next year, *Robert Gibbens writes from Montreal.*

Revenues will be about C$600m this year, derived about equally from farm equipment, manufacturing and shipbuilding. There will be a small 1984 profit overall, against a C$23m loss in 1983.

Mexican group regains listing

MEXICO's largest private company, Grupo Industrial Alfa, has regained its listing on the Mexican Stock Exchange after a two-year suspension, Reuter reports from Mexico City.

Visa, the second biggest company, is expected to regain its listing soon.

Alfa was suspended from trading after failing to provide enough information on its affairs. It was also heavily in debt, the most spectacular private sector casualty of Mexico's 1982 debt crisis. Bankers now say the steel and petrochemicals group is well on the way to reaching outline agreement with its creditors.

Visa, a food and industrial group with debts of about $1.5bn, was suspended from trading last month, because of the erratic movement of its stock.

Between October 5 and 11, Visa shares rose to 336 pesos from 179 pesos, on rumours of an impending break-up of the company. The company last week said it would remain intact, however, and expected trading in its shares to resume soon.

Triumph-Adler sales hope

By Our Financial Staff

TRIUMPH-ADLER, the 98 per cent-owned office equipment subsidiary of Volkswagen, will not return to net profit this year but expects strong increases in sales this year and next, according to Herr Wolfram Nadebusch, managing board chairman.

He said operating results would be roughly balanced this year, but the world group net result would be depressed by having to write down the value of the U.S. subsidiary, Pertec Computer, and by higher component costs and the effects of a seven-week strike.

Japanese oil majors in link-up

TOKYO — Nippon Oil and Mitsubishi Oil have signed a five-year basic agreement linking their crude oil purchases, oil product refining and distribution.

Under the pact, effective immediately and to be extended automatically every year, they will jointly buy crude oil, place tankers, refine crude on a consignment basis, invest in equipment and integrate oil storage and trans-shipping depots. They will also swap oil products when needed.

The agreement is likely to lead to rationalisation measures expected to save the two companies Y10bn ($40.4m) a year.

Nippon Oil is Japan's largest oil wholesaler and distributor and Mitsubishi is the fifth biggest. Their combined share of Japan's fuel oil products market is 25.1 per cent.

In a joint statement both companies said the agreement was not a step towards a merger.

The tie-up is in line with a long-standing government order to the oil industry to rationalise and restructure to improve its international competitive position.

Agencies

Kieran Cooke reports on changes at Indonesia's national airline

Spartan Garuda to improve image

AN ANGUISHED passenger on Garuda, Indonesia's state airline, recently wrote to a local newspaper about his experiences on an internal flight from one end of the Indonesian archipelago to the other—a distance greater than from the east to the west coast of the U.S. In the course of his day-long journey, which involved four changes of airliners, he was given four meals. Each consisted of cold fried rice and a banana.

Garuda has become infamous both within and outside Indonesia for its rather spartan, some would say, low quality, service. On domestic flights in particular, it has been criticised for its high fare structure. Now all that could change. A new management team has moved in, with firm instructions from no less a person than President Suharto to improve both service and efficiency. Out goes Mr Wineko Soepono, president for the past 16 years, who has built Garuda into one of Asia's biggest airlines. In comes Mr R. A. Lumenta, past head of Garuda's domestic airline, Merpati.

Mr Soepono is one of the pioneers of Asian aviation. In the 1940s he organised arms supplies flown from Burma for Indonesian independence forces fighting Dutch colonialists. When he took over Garuda in 1968, it only had a small fleet of outdated aircraft. Now it has six Boeing B-747s, nine Airbus A-300s, six DC-10s and 21 DC-9s. On domestic routes, Garuda uses its fleet of 34 Fokker F-28 1000s and 4000s. In the last four years alone, Mr Soepono has almost doubled Garuda's passenger capacity.

But that expansion has caused problems. A big rise in passenger traffic which Garuda expected when it went on its buying spree in 1980 just has not happened. Load levels on domestic routes, which generate about half of Garuda's revenue, stand at 48 per cent. On international flights the load factor is a little better but still well below projections in the early 1980s.

There have been other upsets. The Indonesian currency, the rupiah, underwent a 27 per cent devaluation early last year. The Government meanwhile put up fuel costs and slapped a U.S.$150 exit tax on Indonesian and semi-resident travellers.

Garuda's debts now stand at about $750m, mainly because of the large-scale expansion of its fleet in the past four years. With heavy debt service requirements, it has seen its earnings drop significantly over the past two years, and in 1984 it is expected to incur a small loss. However, banks involved in Garuda's recent expansion programme, especially Citibank and Chase Manhattan of the U.S., point out that debt service payments have peaked this year, at about $100m, and will now begin to decline.

They say the airline's finances are, on the whole, still healthy but they are worried about the abruptness of Mr Soepono's dismissal as president. He had, with his reputation for straight dealing and by sheer force of personality, been able to engineer complex financial packages to buy additional aircraft. This had involved Garuda issuing promissory notes to a number of banks for both Eurodollar loans and export credit facilities without any government guarantees.

Bankers say that without Mr Soepono in command, they might be forced to seek government assurances on money owed. No reasons have been given for the changeover, but many feel that Mr Soepono has fallen victim to mightier political forces. For some time he has been at odds with the powerful Minister of Technology, Professor B. J. Habibie, who also is in charge of Indonesia's state aircraft company, Nurtanio.

During a visit to Indonesia by M Claude Cheysson, the French Foreign Minister, earlier this year, Professor Habibie suggested that Garuda would be interested in buying additional Airbuses, provided that Nurtanio could manufacture 40 per cent of the parts. Mr Soepono disagreed: he said Garuda wanted to take delivery only of fully assembled aircraft on the softest terms.

Within Garuda, Mr Soepono also had enemies. Pilots and other staff have complained about low salaries but Garuda's president responded by saying he was building up a national carrier and sacrifices had to be made. To those who complained about service, he said he was running an airline, not a restaurant. In the end, it seems that the forces of opposition just became too much. The new team at Garuda is looked on as more conciliatory and more political. There has already been talk about doing away with Garuda's monopoly on some routes and allowing chartered flights into Bali.

Nestle to restructure in Malaysia

By Wong Sulong in Kuala Lumpur

NESTLÉ, the Swiss food group, has announced details of a major equity restructuring plan in Malaysia under which it would be allowed to retain 51 puer cent of its operations, making it the first foreign company to benefit from Malaysia's more liberal approach towards foreign ownership.

Under the plan, Nestlé will reduce its present 77 per cent ownership of Nestlé (Malaysia) —Nesmal—to 60 per cent next year by making a special issue of 19.5m 1 ringgit shares at par to Malay investors. Nesmal's paid-up capital would then be increased to nearly 195m ringgit (US$81m).

Under stage two of the plan a further 55m shares would be issued to Malaysians in 1987, when Nesmal would seek a public listing on the exchange. By then, Malay institutions, led by the Pilgrims' Fund Board, would own 30 per cent of Nesmal, which would have a paid-up capital of 250m ringgit.

According to Mr E. Zulliger, Nestlé's managing director in Malaysia, the company last year made net profits of 28m ringgit on a turnover of 550m ringgit.

Paribas takes stake in Australian Bank

BY PAUL BETTS IN PARIS

PARIBAS, the French state-owned investment bank, has been given the go-ahead by the Australian authorities to acquire a 15 per cent stake in Australian Bank Ltd., a recently formed commercial bank.

Paribas will be flanked by two major partners in Australian Bank. They are Mutual Life and Citizens Assurance Company, Australia's third largest insurance group which has taken a 15 per cent stake, and the Lend Lease, Australia's largest real estate promotion group which hasacquired a 10 per cent interest.

While offering Paribas a platform in the developing Australian financial market, the French bank will in turn give Australian Bank access to its extensive international network.

The deal comes at a time when Australia is opening up its banking and financial system to foreign institutions. However, although a number of new licences are expected to be issued to foreign banks, no French bank is expected to be among the successful applicants. This is because Banque Nationale de Paris, the large French state-owned commercial bank, already has an Australian licence.

● The Australian Government has approved a proposal for J. P. Morgan to establish a wholly-owned merchant bank to be called Morgan Guaranty Australia, reports Reuter from Canberra.

Morgan three weeks ago foreshadowed its intention to set up a merchant bank if it failed to gain full control of listed merchant bank and authorised money market dealer, AUC Holdings, under a takeover bid announced last month.

This followed the acquisition of strategic stakes of slightly more than 30 per cent of AUC by two local investment companies.

Strong earnings advance at NZ Forest Products

BY OUR FINANCIAL STAFF

NEW ZEALAND Forest Products has reported net equity accounted profits of NZ$53.25m (U.S.$26m) for the first half ended September 30. This compares with NZ$31.06m for the same period in 1983.

Sales were NZ$521.74m, against NZ$397.20m, and include exports of NZ$95.22m.

Earnings per share were 21.85 cents up from 16.80 cents. An interim dividend of six cents, compared with 4.5 cents previously, on fully paid shares and three cents on new partly paid shares, was previously announced and paid.

● Alex Harvey Industries, the New Zealand packaging company, has rejected the takeover bid from its Australian parent, Australian Consolidated Industries, because the offer of NZ$3 per share is seen as too low, writes Dai Hayward from Wellington.

ACI already owns 56 per cent of AHI and has made a NZ$200m (U.S.$97.5m) bid for the remainder of the shares. The New Zealand company has taken independent advice and decided that in view of AHI's prospects and the large contribution—believed to be about one-third—it makes to ACI's profits, the Australian company's offer is too low.

Rush for Lum Chang share issue

BY CHRIS SHERWELL IN SINGAPORE

LUM CHANG HOLDINGS, a Singapore investment holding company with interests in construction and property development, saw a new issue of 25m shares five times oversubscribed when applications closed.

The company is only the fourth this year to receive approval from the authorities for a stock exchange listing. Jurong Engineering, Lee Kim Tah and Lim Kah Ngam all received a stronger reception.

The price of S$1.10 for each 50 cent Lum Chang share was lower than originally intended.

In its prospectus published last month, Lum Chang forecast after-tax profits for the year to June 1985 of S$11m (US$5.1m), more than double this year's figure.

Papyrus bids SKr 360m for full control of Nymolla

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

PAPYRUS, the Swedish pulp and paper group, is bidding for control of Nymölla, the Swedish pulp and fine paper producer in a deal worth about SKr 360m ($40.8m).

Papyrus, which already owns 49.75 per cent of the Nymölla equity, is bidding SKr 500 a share in cash and shares offer for the outstanding Nymölla stock.

The deal is a further important step in the restructuring of the Swedish forest products industry. Earlier this year, Stora Kopparberg emerged as the largest forest products concern in Europe through the SKr 3.6bn takeover of Billerud, one of its main domestic rivals.

The Papyrus and Stora Kopparberg deals also mark a significant restructuring of the pulp and paper interests within the Wallenberg group of companies, which represent the most powerful grouping of industrial and financial concerns in Sweden.

Mr Peter Wallenberg is chairman of the boards of both Papyrus and Nymölla, as well as being vice-chairman of Stora Kopparberg.

Papyrus—including its main affiliates—had sales of some SKr 4.2bn last year. It is the largest manufacturer in Europe of high quality folding box board and is also an important producer of newsprint and fine paper.

Nymölla is a producer of pulp and fine paper based in south-east Sweden. The merger with Papyrus will strengthen the financial position of both companies and higher board production within Papyrus also offers a larger captive market for Nymölla's pulp production.

Papyrus has close links with Feldmühle, the West German paper group. They are joint owners of a 250,000 tonnes a year pulp mill, Norrsundet Bruk, and are both owners in Hylte Bruk—together with Stora Kopparberg—a 500,000 tonnes a year newsprint producer based in in south-west Sweden.

Brazilian futures trade begins

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE BRAZILIAN Futures Market (BBF) in Rio de Janeiro, a new institution closely modelled on the Chicago Mercantile Exchange and London's International Commodities Clearing House, has begun trading.

The new market in Brazil's financial capital will trade initially only in gold futures. Within a few months, however, it expects to introduce other financial instruments such as interest rate futures, based on a six-month certificate of deposit issued by a group of local banks.

Many of the senior figures involved in setting up BBF are foreign. Its marketing director, Mr Joseph Sims, for instance, used to be a vice-president of the Chicago Mercantile Exchange.

Mr Geoffrey Greenman, BBF's president, said last Friday, the first day of trading, that he had been pleased by the level of interest shown in the new market by brokers from Rio de Janeiro and São Paolo – even though only 218 gold futures contracts had changed hands.

He forecast that within a year the BBF would be closing a daily average of 7,000 contracts, twice the rate currently achieved by the existing São Paolo futures market, which deals mainly in commodities.

Hopes for future business are based heavily on the fact that Brazil is becoming a leading gold producer. This year the official production forecast is of over 60 tonnes.

Negotiations are currently going on with the central bank in Brasilia to permit the introduction of trading in interest rate futures and to allow foreign investors to participate in the market's activities.

Jones quits as LTV steel chief

BY TERRY DODSWORTH IN NEW YORK

MR BRADLEY JONES, the mai narchitect of the merger between LTV Corporation and Republic Steel, is resigning as chairma nand chief executive of the group's steel division only eight months after the combination won the approval of the Justice Department.

The resignation came as a surprise to th esteel industry, where Mr Jones, 57, had won a reputation as a forceful strategist and marketing executive at the top of Republic. He will be succeeded as president and chief executive officer of LTV Steel by Mr David Hoag, his former deputy, who comes from the LTV side of the merger.

The steel division is the biggest operating segment of LCV Corporation, a diversified group with other interests in aerospace, defence and energy products. Following the merger, LTV Steel has surpassed Bethlehem Steel to emerge as the secon dlargest steel group in the country after U.S. Steel, with a capacity of around 22.6m tons a year.

Mr Jones gave no detailed reasons for his decision to resign, saying only that he considered a career change would be best for him. But it is known that the welding together of LTV and Republic has causec deep strains within the new group, particularly among Republic executives, who have borne the brunt of the redun dancies.

Siemens and Corning plan optical fibre plant

By John Davies in Frankfurt

SIEMENS, the West German electrical concern, is joining Corning Glass Works of the U.S. in setting up a plant in Bavaria to manufacture optical fibre for use in communications cables.

The move follows the refusal of the Cartel Office earlier this year to approve a plan for Siemens and four other cable manufacturers to set up a joint optical fibre plant in West Berlin.

Siemens said yesterday that DM 70m ($22.5m) would be invested in the first stage of a plant to come on stream at Neustadt, near Coburg, in 1986 with capacity to turn out 80,000 km of optical fibre a year. The investment will include the necessary infrastructure to enable production to be expanded to more than 200,000 km of fibre a year.

The project will be carried out by a company owned equally by Siemens and Corning, but the two companies have indicated that other partners could be admitted later.

Under the earlier plan, Siemens would have teamed up with AEG, Kabelmetal, PKI (a subsidiary of Philips of the Netherlands) and Standard Elektrik Lorenz (a subsidiary of ITT of the U.S.). Because of Cartel Office objections, there is thought to be no chance that all could join the latest project.

Siemens and Corning already co-operate in a major venture producing optical fibre cable in the U.S.

The West German market for optical fibre is expected to build up during the next 10 years. The Bundespost, the postal and telecommunications authority, recently completed an optical fibre link between Hamburg and Hanover, the first stage of a planned national link-up.

Brown Boveri sees decline in turnover

By Anthony McDermott in Baden

BROWN BOVERI, Switzerland's largest machine engineering company, said yesterday that group sales in 1984 would be below those of the previous year.

However, in spite of the lower turnover, the cash-flow of the group would show a pronounced improvement.

Mr Franz Luterbacher, the outgoing board chairman, also announced that Dr Fitz Leutwiler, until recently the president of the Swiss National Bank, would succeed him.

Group orders during the first nine months of 1984 amounted to SwFr 7.6bn ($3bn). This was SwFr 200m, or 2.6 per cent, more than the same period during the preceding year. Orders for the full 1984 year are expected to surpass last year's level of SwFr 10.5bn.

Sales up to the end of September had reached SwFr 6.7bn, against SwFr 7.2bn for the same period a year ago. It is expected that sales for 1984 as a whole would be below last year's SwFr 10.66bn.

Record sales at Plate Glass

By Jim Jones in Johannesburg

PLATE GLASS and Shatterprufe Industries, South Africa's largest glass processor, is pessimistic over immediate prospects despite record first-half sales and operating profits.

Turnover rose to R559.8m ($302.6m) in the six months ended September, from R401.7m in the corresponding period of 1983, while operating profit before interest and tax increased to R61.3m from R60.9m.

For the full year ended March 31 1984, turnover was R886.1m and operating profit R115m.

An unchanged interim dividend of 35 cents a share has been declared, though first-half earnings fell to 107 cents a share from 115.8 cents. For the previous full year, earnings were 222.6 cents a share and a total dividend of 100 cents a share was paid.

THE MORTGAGE BANK OF THE KINGDOM OF DENMARK
6¼% LOAN 1966/86 SERIES XX

HAMBROS BANK LIMITED hereby gives notice that in accordance with the terms and conditions of the above loan, the redemption for the 25th January 1985 has been effected by the drawing of the under-mentioned bonds amounting to US$ 665,000 (nominal) on the 20th November 1984. The outstanding balance after the 25th January 1985 redemption is US$ 695,000 (nominal).

The drawn bonds may be presented to Hambros Bank Limited, 41 Bishopsgate, London EC2P 2AA or to the other Paying Agents named on the bonds.

For payment in London, bonds will be received on any business day and must be left three clear days for examination.

Bonds of US $1,000.00

30	90	93	302	303	8088	8093	8096	8104	8106	10403	10406	10408	10410	10413
314	561	1039	1046	1249	8109	8110	8117	8143	8144	10424	10427	10429	10436	10441
1269	1318	1454	1457	1521	8147	8148	8154	8156	8319	10458	10463	10467	10493	10502
1525	1526	1527	1528	1535	8320	8321	8323	8354	8401	10508	10515	10517	10518	10520
1547	1548	1593	1793	1910	8419	8420	8436	8437	8449	10526	10527	10528	10532	10538
1921	1922	2136	2146	2148	8452	8461	8462	8463	8464	10546	10554	10556	10557	10560
2238	2244	2623	2658	2661	8465	8468	8500	8503	8611	10561	10564	10566	10702	10706
2703	2805	2834	2849	2915	8617	8630	8633	8647	8648	10761	10762	10764	10765	10768
2916	2944	2946	2948	2950	8649	8653	8659	8660	8667	10770	10771	10773	10781	10820
2955	3031	3037	3046	3120	8674	8675	8676	8680	8681	10821	10847	10848	10849	10850
3122	3138	3147	3164	3246	8683	8749	8754	8810	8812	10855	10856	10874	10876	10879
3256	3285	3396	3912	3913	8819	8821	8834	8836	8839	10885	10890	10893	10900	10908
3935	4135	4187	4189	4195	8842	8860	8861	8864	8865	10914	10916	10917	10931	10942
4197	4303	4388	4412	4415	8866	8871	8889	8910	8913	10944	10969	10971	10981	10983
4560	4571	4583	4601	4607	[illegible]	8950	8951	8953	8954	10987	10988	10989	11003	11010
4616	4624	4626	4629	4630	8956	8957	8961	[illegible]	[illegible]	11015	11017	11018	11050	11052
4631	4640	4646	4686	4690	8984	8985	8987	8988	8991	11057	11092	11116	11117	11118
4692	4770	4774	4821	4962	8997	9004	9007	9011	9013	11121	11124	11127	11134	11137
4963	4983	4984	4985	5117	9014	9015	9020	9024	9025	11139	11140	11146	11147	11149
5118	5197	5203	5218	5220	9030	9033	9035	9036	9039	11157	11158	11160	11239	11242
5342	5617	6003	6013	6117	9040	9041	9042	9048	9051	11244	11255	11258	11259	11261
6157	6158	6171	6173	6175	9056	9059	9076	9078	9082	11262	11285	11299	11300	11301
6201	6206	6255	6278	6286	9088	9090	9102	9141	9151	11330	11352	11359	11362	11389
6288	6296	6307	6310	6312	9156	9161	9163	9165	9167	11390	11394	11398	11399	11402
6420	6424	6429	6432	6434	9168	9175	9183	9184	9185	11403	11412	11413	11417	11418
6436	6441	6443	6446	6452	9186	9187	9188	9193	9197	11421	11423	11443	11444	11472
6455	6456	6457	6460	6470	9198	9199	9202	9203	9206	11551	11552	11555	11556	11560
6472	6474	6476	6479	6490	9210	9215	9223	9226	9230	11562	11582	11586	11591	11592
6491	6513	6514	6519	6581	9234	9240	9241	9273	9274	11593	11596	11597	11598	11628
6684	6795	6800	6801	7006	9284	9294	9298	9301	9303	11630	11655	11656	11660	11662
7012	7067	7082	7083	7084	9345	9350	9356	9361	9371	11697	11701	11704	11708	11713
7178	7300	7301	7326	7328	9574	9600	9601	9604	9605	11725	11728	11730	11738	11739
7330	7339	7388	7389	7398	9607	9616	9638	9662	9664	11750	11751	11757	11763	11767
7401	7402	7509	7556	7685	9667	9675	9682	9686	9698	11769	11781	11789	11794	11795
7689	7691	7722	7723	7724	9895	9897	9900	9901	9903	11796	11805	11808	11809	11811
7725	7726	7727	7728	7858	9939	[illegible]	[illegible]	10072	10122	11813	11816	11821	11822	11828
7866	7868	7883	7885	7891	10123	10124	10140	10141	10174	11832	11833	11837	11838	11842
7896	7897	7910	7911	7913	10176	10179	10224	10225	10228	11847	11850	11851	11852	11857
7922	7924	7933	7937	7940	10232	10241	10245	10247	10257	11858	11860	11866	11868	11869
7950	7951	7953	7955	7961	10260	10263	10264	10273	10274	11870	11881	11891	11911	11912
7962	7964	7965	7967	7977	10275	10277	10297	10302	10309	11913	11918	11919	11920	11921
7978	7982	7984	7986	7996	10312	10315	10316	10318	10340	11924	11926	11930	11932	11933
7998	8006	8012	8013	8022	10346	10347	10377	10378	10384	11938	11941	11947	11948	11954
8023	8053	8057	8059	8060	10385	10386	10391	10392	10396	11955	11967	11971	11974	11980
8064	8065	8069	8072	8086										

HAMBROS BANK LIMITED
4th December 1964

UK COMPANY NEWS

Dominion expects modest growth

PRE-TAX profits of **Dominion International Group**, property development, natural resources and financial services concern, increased from £2.57m to £3.12m for the six months to September 30, 1984. Turnover rose by £3.84m to £17.46m.

The net interim dividend is held at 2.2p per 20p share on increased capital. In August, at the time of the offer for Anglo-International Investment Trust, the directors said they intended to at least maintain the current year's payment at 4.8p.

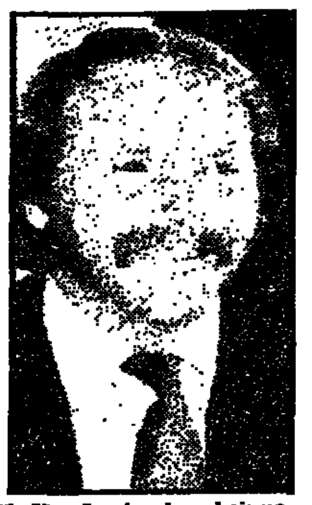
Earnigs per share are stated at 6.88p (7.45p) basic and 6.37p (6.52p) diluted. Tax took £450,000 (£390,000) and there were minority debits of £546,000 (£177,000).

The diretcors say that prospects for the rest of the year remain mixed, but the company is confident of maintaining modest growth overall.

This again demonstrates the importance of the company's policy of striking a balance between activities to avoid overdependence on any one source of revenue, they add.

Apart from the spread between three industry sectors, it is also the company's intention to develop a greater geographical spread between Europe, the U.S. and the Far East. A smal lstep in this direction has already been taken with the acquisition last month of 75 per cent of Guardian Property Management, a Hong Kong company.

Following the internal reorganisation last year, the housebuilding division is now achieving real growth, with a significant advance in both turnover and trading profits. The new subsidiary serving the retirement market is performing well and prospects look promising.



Mr Ma- Lewinsohn, chairman of Dominion

The UK commercial property division had a satisfactory first half with rental income growing steadily as recent investment acquisitions and completed development scheme started to contribute.

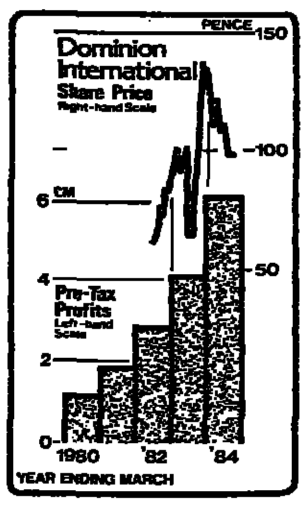
In contrast, the performance of the U.S. investment companies have been disappointing in a generally weak market and a review of the portfolio is taking place.

It has been a difficult period for part of the financial division, resulting in a lower overall contribution to group profits, and this pattern is unlikely to change significantly during the second half.

One important source of new business linked to friendly societies was severely curtailed following the Budget, and other activities, while growing soundly, are not yet sufficiently mature to make good the shortfall.

The directors believe the longer term future shows promise with new products in the personal savings sector coming on stream, funds under management continuing to grow steadily, and the finance subsidiaries undertaking a substantial volume of good quality new business.

In addition, Intex, the world's first automated financial futures exchange, in which the company has a 25 per cent stake, opened in October.



● comment

Dominion International made no bones about the fact that the Budget would hit the single most important source of business of its financial services division—the sale of insurance-linked products for friendly societies. But the profit decline in this division (from £1.3m to £950,000) was limited by the strength of other operations, notably the finance company. New financial products are on the way, but for the current year the group will rely on growth from the other two divisions. However, earnings per share are almost bound to fall in the wake of the disguised rights issue in the form of the takeover of Anglo-International Investment Trust. If Dominion advances to £7.5m pre-tax then fully diluted earnings will be about 12.4p, against 14.6p, on a 14 per cent tax charge. The shares, down 3p to 92p, take this prospect into account, trading at a multiple of about seven. For the short-term at least, a better investment would probably be the 54 per cent-owned Southwest Resources, unchanged at 66p, which comprises all of Dominion's natural resources interests. Its core U.S. business is performing strongly, and the Thailand exploration interests add speculative appeal. SR's asset backing is 78p.

New technology costs restrict Formdesign

HIGHER THAN anticipated changeover costs at USM-quoted **Formdesign** have been reflected in the interim pre-tax profits, which show a rise of only £8,000 to £138,000 for the six months to September 30 1984.

The directors of this computer stationery manufacturer state, however, that historically the second half generates substantially higher profits than the first. They are confident that, with the present high level of orders, the current term will be no exception.

The number of orders received increased steadily during the six months and this trend has continued to date, with order input at record levels. Margins, however, remain under pressure, but the company is on target for the budgeted profits.

The interim dividend is 1.26p net per share, in line with the prospectus forecast. Last year, with taxable profits at £334,000, the company paid a single dividend of 1.4p.

First-half turnover moved ahead from £2.11m to £2.36m. After tax at £48,000 (£11,000) net profits came out at £90,000 (£119,000) or 3.61p (4.74p) per share.

The directors comment that since joining the USM, the company has continued to make progress. The most significant achievement being the successful installation of the first digiform computerised laser origination system in the UK.

The transition to this new technology has been both costly and time consuming, and although provision was made for this expenditure in current year's budget, changeover costs have been greater than anticipated.

The directors add that with the new origination system, the company is poised to secure an increasing share of the UK business forms market, specifically the short run computer forms and credit transaction stationery markets.

● comment

An optimistic interpretation of **Formdesign's** lack-lustre interim performance is that profits growth has momentarily slowed because the group is in the middle of a change of course to cater for its market's changing profile. The group has spent £300,000 on installing laser typesetting equipment which produces its greatest cost-saving when originating short print runs (up to 20,000 forms). These have doubled in volume terms to account for 30-35 per cent of turnover, a barometer of the burgeoning small business market. But greater than expected start-up costs have clearly had something to do with the deceleration in pre-tax profits growth from 58 per cent at the year-end to just 7 per cent. On the gloomier side, industry-wide price cutting has put margins under pressure, even in volumes, currently up to 50 per cent, are hitting new highs. At any rate, production efficiencies stemming from the new equipment and a further volume boost from a change in hire purchase rules, with all the form redesign that implies, should put full-year profits of £400,000 pre-tax comportably in reach. The shares gained 1p to 116p, a fairly valued 11 times prospective earnings after a 35 per cent tax charge.

Matthew Brown rises 10% to top £7m

INTEREST CHARGES and a reduced profit on the disposal of properties and investments have left Matthew Brown with an increase of 9.5 per cent in taxable profits, after a 19.5 per cent rise at the trading level, in the year to September 29 1984.

The pre-tax result was some 610,000 higher at £7.04m, after a charge of £58,000 for interest against a corresponding £211,000 credit and depreciation at £1.6m against £1.28m. The trading surplus rose from £7.14m to £8.51m.

The taxable figure included £198,000 (£378,000) profit in the disposal of properties and investments, and a roughly unchanged contribution from investment income at £13,000 (£12,000).

Turnover of the group—a brewer and manufacturer of soft drinks which also owns and manages public houses, restaurants and hotels—rose from £37.34m to £44.31m. Mr P. W. Townsend, the chairman, says that the major developments during the year were the purchase from John Smith's Tadcaster Brewery of its Carlisle estate, the acquisition of T & R Theakston last June, and the "cautious but positive" entry into the national take-home market with the company's Slalom lager.

The directors are to recommend a final dividend of 6.412p net per share, up from 5.82p, on capital increased by the Theakston purchase. This lifts the total for the year from 7.42p to 8.162p, with earnings quoted at 21.46p per share, against 21.83p.

The tax charge for the period was up from £1.95m to £2.4m, and a deferred tax provision accounted for an extraordinary debit of £300,000 (nil).

Wm. Collins places loan stock with 3i

William Collins, the Glasgow book and diary publisher, has placed £9.9m in non-interest bearing unsecured loan stock with Investors in Industry (3i) by way of a deep discounted security.

3i has paid £7m for the stock, which will be repayable in full after three years, although there is also provision for refinancing part of the stock in 1987.

The placing involves the restructuring of existing bank borrowings and the provision of further medium term finance from 3i. Collins borrowed £10m from ICFC, the 3i holding company, eight years ago.

It subsequently repaid £4m. The rest, repayable by 1990, was divided into two elements; £3m fixed at an interest rate of 11½ per cent, and £3m at a floating rate of 1½ per cent over the London Interbank Offered Rate.

The £6m outstanding from the earlier loan has now been included in the present arrangement, and Collins is borrowing an extra £1m.

Vinten falls £0.9m midway but confident of future

THE TRADING pattern at Vinten is following the lines forecast by the directors in August, viz, a reduced first half profit over the exceptional comparable period but a pick-up in the second six months.

But as the half-year profit fall—from £1.81m to £939,000—was more than the directors expected, they are now forecasting that the trading profit for the year is unlikely to reach 1983-84's £4.03m.

Mr Michael Brown, chairman, reports that all manufacturing companies expect to be working close to full capacity throughout the rest of the year. Deliveries will be at a high level and the second half will show much better results, though there are still operating problems to over come.

Subject to unforeseen circumstances, the year's dividend is to be raised from 2.8p to 3.15p net which, says Mr Brown, will be well covered in accordance with internal policy and is justified by the directors' confidence in the future. The interim is pushed up to 1.05p (0.91p), and the final is expected to be 2.1p (1.89p).

The group is engaged in the manufacture of aerial reconnaissance and other camera systems and associated ground support equipment; television camera mounting equipment; and electro-optical components Profits of the important military and broadcast systems activities are in line with the lower levels expected because of the uneven phasing of deliveries to be made against major contracts this year.

"Outstandingly good progress" was made in the electro-optics activities of Exotic Materials in the U.S. However, there has been a delay in achieving a balanced usage of reorganised resources in Vinten Electro-Optics to meets its growing markets in Europe.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bremner ....int	0.5	Jan. 24	0.5	—	2.5
Matthew Brown	6.41†	Feb. 2	5.82	8.16	7.42
Brownlee ....int	1.3	Jan. 11	1.15	—	3.5
Cardiff Property	1.15	Feb. 18	1.1	1.75	1.7
Dominion Intnl. ... int.	2.2	Feb. 1	2.2	—	4.8
Dundee & London	3.2	Jan. 22	2.85	4.7	4.35
Formdesign ....int.	1.26‡	Jan. 25	—	—	1.4
Kleen-e-ze ....int.	1	Jan. 28	1	—	5
PWS International ...int.	3	Jan. 31	—	—	—
Leigh Interests ......int.	1	Jan. 16	0.75	—	2
Lynton Holdings ...int.	2.42	Jan. 3	2.2	—	5.5
Unilock§ ....int.	0.58	Jan. 11	0.43	—	0.93
Vinten Group ....int.	1.05	Mar. 29	0.91	—	2.8

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Results from computing systems and scientific instrumentation, other than those of Vinten Instruments, are very disappointing because of a sudden and unexpected decline in demand. However, demand is expected to recover in the second half.

Sales for the half year came to £12.34m (£11.98m), with the avionic systems business of S. Davall providing £1.67m and £22,000 to trading profit. Disposal of other activities of SIG Davall, acquired in February, is near completion.

After tax of £378,000 (£648,000), the net profit came out at £563,000 (£1.16m) for earnings of 2.69p (6.17p) per share.

● comment

Vinten Group warned that these results would not be as good as last year's first half, but nobody expected figures like these, which took the shares down 26p to 200p. The management itself had been looking for pre-tax profits of about £1m to £1.4m. To some extent the company can justifiably blame the market for the setback — military orders (which account for about 60 per cent of sales) are notoriously uneven in their timing. However, more serious reasons for the disappointment are to be found within the group—the transfer of Exotic Materials' technology from the U.S. to the UK is proving difficult, and the Trivector acquisition (part of Computing Systems) has made losses after a strong result last year. Such difficulties, of course, are part of the risk of high-technology investment, and Vinten is taking steps to put things right. There seems to be little fundamentally wrong with its chosen business stratgeies—the problems lie in how to achieve them over the next 18 months or so. Assuming the group makes £4m pre-tax, the shares change hands on a multiple of 16.5, assuming a 40 per cent tax charge. They are unlikely to fall much further, given that a reasonable recovery in 1985-86 would bring the rating down to the low teens.

Weak sterling helps PWS to offset underwriting setback

IN ITS first report as a listed company, the **PWS International** group of reinsurance brokers says it has experienced a substantial growth in profits of the broking and pool management divisions in the six months ended September 30 1984, but has deemed it prudent to provide for unexpected underwriting losses in Spectrum Insurance of Bermuda.

For the half year the profit before tax has risen from £159,000 to £691,000, after providing for insurance losses of £295,000 (profit £25,000), although last time there was a bad and doubtful debt provision of £357,000. An interim dividend of 3p per share is declared.

The great majority of the annual profit has always been earned in the second half. The directors are, therefore, reluctant to make any form of profit forecast, but believe the group is working towards a "satisfactory result." Last year's profit was nearly £2m after exceptional expenses £849,000 but before tax.

They point out that the increased profits on the broking and pool management side stem in part from the continued weakness of sterling, but there has been "genuine continued growth" in the period. Weak sterling has also had the effect of increasing the sterling equivalent of the reserve being made for Spectrum and the expenses of the overseas subsidiaries.

Spectrum's underwriting results deteriorated during the half year, largely from losses relating to the 1983 underwriting year. PWS has, therefore, provided US$350,000 for these, and believes it has contained most of the problem.

The directors cannot rule out another transfer at the year end —March 31 1985. But if that does prove necessary, they hope it will be for a smaller amount.

In any case, they do not expect underwriting losses from Spectrum to be a continuing drain on profits, because "it is reducing its net exposure and because the underlying trend of the portfolio appears to be improving."

PWS is the holding company for Pearson Webb Springbett and was introduced to the stock market in mid-July when some 20 per cent of its shares were placed at 214p each. It did not raise money for itself but wanted to enhance its reputation, especially in London. A profit forecast was not made.

Turnover in the half year moved up from £3.78m to £5.22m.

Lynton relying on second half for similar outcome

MAINLY AS a result of a reduction from £303,000 to £69,000 in profits on property trading, the first half ended September 1985 has produced a lower pre-tax profit for **Lynton Holdings**, the property investment and development group.

The profit fell from £882,000 to £702,000. Profits from property trading are expected to improve in the second half, and positive steps are being taken to lift the trading results of the associate Lyn Town.

At the end of the year the group expects its attributable profit to be broadly in line with the previous £1.05m, when a dividend of 5.5p was paid. The current interim is up to 2.4p (2.2p).

In the half year investment property income came to £1.44m (£1.32m) and the associate trading loss to £157,000 (£167,000). Results for the year will continue to be affected by losses at Lyn Town, which is suffering from depressed conditions for industrial property in the North West. After tax £163,000 (£375,000) and minorities £64,000 (£65,000), the attributable group balance works through at £475,000 (£442,000) for 4.77p (4.44p) per share.

Lynton continues to expand activities in the retail sector and lettings have been achieved prior to completion at the Blackpool, Kendal, Darlington and Diss projects.

A limited partnership interest in a retail and office project in the centre of Bristol, U.S. has recently been acquired. Construction of an office building in Basingstoke, Hants, will commence shortly and a number of other propositions are under active consideration.

UK COMPANY NEWS

Leigh Interests upturn continues with 37% rise

THE RECOVERY has continued at Leigh Interests in the half year ended September 30 1984, and profit before tax has risen by £111,000, or 36.5 per cent, to £415,000. "Particularly heartening" has been the benefit from the trend towards recovery in the West Midlands, where the core of its business lies. The group provides environmental services, and acts as builders' merchants, and quarriers.

Sales for the period are up from an adjusted £11m to £12.09m. After tax £187,000 (£158,000) the net profit was £228,000 (£146,000) for earnings of 2.3p (1.5p) per share. The interim dividend is lifted to 1p (0.75p)—last year the final was 1.25p when profits reached £359,000 (loss £573,000).

Envirocor, which was bought in July, has already started to contribute to profits. It is a leader in industrial cleaning and safe removal of asbestos and hazardous materials. In October, Leigh strengthened its operations in the North East with the purchase of a waste disposal company, Moffats of Darlington.

An acid tar plant has been built to extend the facilities offered at the Empire Waste Management Centre and Leigh is now the UK operator of the Butterworth Sludge Control Systems, which offers substantial advantages in the cleaning of oil refinery storage tanks.

Considerable progress has been made towards improving the balance sheet. The sale in the current year of Lightflex and other smaller disposals, achieved a reduction in bank indebtedness of over £500,000.

These were followed by the granting of planning permission for development of the Rowditch, Derby site, and the sale of 15 acres to Sainsbury for £2.8m, together with the sale of another smaller piece of Banks Brewery for £200,000.

Leigh is working towards completion of these sales before the end of the current year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Argyll Group, Atkins Brothers (Hosiery), Cape Industries, Capital and Counties, David Dixon, J. E. England (Wellington), Equity Consort Investment Trust, FKI Electricals, Geevor Tin Mines, General Electric, Matthew Hall, Hambros, Hellenic and General Trust, Leopold Joseph, Robertson Research, R. W. Toothill, United Leasing.

Finals: Leeds, Ranks Hovis McDougall, Trafalgar House.

FUTURE DATES

Interims—	
Booth (John) (Bolton)	Dec 14
Distillers	Dec 19
Hicking Pentecost	Dec 7
Monk (A.)	Dec 13
Pegler-Hattersley	Dec 5
Preedy (Alfred)	Dec 10
Triplex	Dec 10
Whitecroft	Dec 10
Finals—	
Adam Leisure n...	Dec 6
Assocd. Paper Industries	Dec 12
Burns-Anderson	Dec 12
Carr's Milling Industries	Dec 13
Dobson Park Industries	Dec 10
Dubilier	Dec 7
Irish Distillers	Dec 12
Management Agency & Music	Dec 7
McCorquodale	Dec 11
NSS Newsagents	Dec 12
Westland	Dec 18

Bremner losses up to £44,000 at midway

A REDUCTION in interest received from £47,511 to £31,901 was reflected in half-year net losses of Bremner, the general warehouse concern.

The deficit for the period to July 31, 1984 more than doubled from £21,745 ot £44,293, on marginally lower turnover, excluding VAT, of £1.67m, compared with £1.71m.

The trading losses rose from £69,256 to £76,794. This increase was particularly due to the comparatively small decline in turnover, together with the continued presure on margins due to keen competition.

The company explains that the *dimunition of the interest* received was due to the decrease in interest rates and the amount of the company's cash resources compared with the same time the previous year.

In previous years, the major proportion of profits has been been achieved in the second half and this year is expected to be no exception. The company is particularl dependent on the key Christmas trading period to achieve a level of trading.

The net interim dividend is unchanged at 0.5p per 25p share

Kynoch returns to the black

G. & G. Kynoch, woollen cloth manufacturer, returned to the black in the year to August 31, 1984, with a pre-tax profit of £91,059, against a £14,070 loss previously. Losses at halfway were cut from £103,436 to £39,088.

In the light of the return to profitability the directors are recommending a final dividend—after a two year absence—of 1p net. Stated earnings per 25p share were 13.1p (4p loss).

The current year to date has started with an increased activity level in the production unit and a greater volume of work in hand. The directors are therefore confident of achieving a further improvement in 1984-85.

Turnover for the year rose by 51 per cent to £3m producing a record operating surplus of £195,087 (£70,378). The turnover increase has been brought about by the marketing development programme which identified new geographic areas and market sectors.

To take full advantage of new opportunities and to provide flexibility for further expansion, the company requires development capital, the directors state. They have therefore negotiated additional finance with the Scottish Development Agency (SDA) for the subscription of 250,000 9 per cent cumulative redeemable preference shares of £1 each.

As part of the financing package, the SDA will have an option to subscribe for a percentage of the company's equity at any time up to two months after the publication of the accounts for the year ending August 31, 1989.

The proceeds of this subscription are to be used in or towards the redemption of the SDA's preference shares outstanding at the time of the subscription.

If all options are exercised, the SDA will hold 14.5 per cent of the equity. The arrangements include proposals to amend the rights of the first preference shareholders by increasing the present coupon of 4.55 per cent to 6 per cent.

Interest charges for the year *amounted to £104,028 (£84,446)*. Tax accounted for £5,496 (£2,925). There was an extraordinary charge of £9,174 (nil) and after preference dividends, the attributable profit was £87,912 (£23,820 loss).

Net assets per share increased from £1.46 to £1.60.

TR Property Inv.

TR Property Investment Trust's net asset value per 25p share was 169p at end-September 1984, compared with 157.1p six months earlier.

Net revenue for the six months under review was up at £795,821 (£683,286), and the interim dividend is increased to 1.35p (1.2p). Earnings per share were stated as 1.83p net (1.57p).

Scottish Mercantile

Net asset value per ordinary and A ordinary share of Scottish & Mercantile Investment totalled 406p (336.5p) at March 31 1984 and 432.2p at November 26. Net profits for the year to end-March amounted to £349,000 (£433,000) after tax of £185,000 (£265,000).

Earnings per share were 6.22p (7.79p) and a final dividend of 5.7p makes a same-again total of 7.7p net.

COMPANY NEWS IN BRIEF

Waterslides, a Weybridge-based start-up company, is asking investors for £396,826 after expenses to finance the construction of giant recreational water chutes.

It hopes to bring an idea pioneered in Australia by Waterslides Australia Pty to the UK, where it has permission to build a slide at Richmond's Old Deer Park. The typical waterslide is 110 metres long and looks like an enclosed bobsleigh run, starting roughly 10 metres above the ground. It consists of a large diameter twisting plastic tube down which riders slide carried by a stream of warm water.

The group is offering for sale 1,990,000 new shares on Harvard Securities' over-the-counter market at 26p each, capitalising itself at £1.3m. The offered shares represent 26 per cent of the fully diluted equity, and the biggest shareholder is Mr Christopher Brewer, the Australian managing director, who holds a 58 per cent stake.

* * *

Erskine House announces that the pre-tax profits for the year ended August 30 1984, of its recently acquired subsidiary, Telesurveillance, exceeded £250,000. Accordingly, Erskine has issued to the vendors 543,478 ordinary shares, ranking for the interim dividend declared on November 26.

* * *

Net asset value per 4p capital share stood at 176.12p on November 28 1984, against 139.8p at the end of May, at M & G Second Dual Trust. An increased 4.9p (4.5p) interim dividend is being paid, with a final of at least 4.55p (4.04p) forecast.

Net revenue for the six months to November 30 was £498,902 (£456,459) and earnings per 10p income share were stated at 4.99p (4.56p).

* * *

Hammerson Property has fixed terms of an C$80m (£50.3m) preferred share issue, increased from C$75m, being made in Canada by its subsidiary Hammerson Canada with a parent company guarantee. The shares, underwritten by a syndicate led by Wood Gundy, have a coupon of 9.12 per cent.

The issue is to refinance some Canadian floating rate debt, and follows an undertaking to riase caiptal in Canada given when Hammerson bought Mascan, a troubled property group, earlier this year.

* * *

Earnings available for ordinary shareholders at Monks Investment Trust fell from £917,000 to £797,000 for the six months to the end of October 1984, and earnings per 25p share were shown as down from 1.18p to 1.03p. The net interim dividend is held at 1.1p.

Net asset value came to 190.1p compared with 184.8p at the end of last April.

* * *

Pre-tax profits of the Delmar Group recovered from a depressed £53,000 to £107,000 in the half year ended September 30, 1984. Turnover for the period rose by £268,000 to £1.33m.

Although it is too early to make a firm prediction on the full year outturn the directors say present indications are that profits will "comfortably" exceed the £247,436 returned for 1983-84.

They anticipate paying a final dividend of not less than last time's 1.68p. After tax of £48,000 (£17,000) and minorities, earnings per 25p share emerged at 1.03p (0.63p).

* * *

The setback experienced by Humphries Holdings in the second half of last year has continued into the six months ended September 30 1984, and it has incurred a loss of £141,000 (profit £106,000).

Turnover was £5.58m (£6.67m). It is engaged in the printing and developing of motion films and is 75.3 per cent owned by B.E.T. There is an overseas tax charge £103,000 (£70,000 plus £33,000 UK) and minorities debit £13,000 (£18,000).

* * *

Property dealing activities have made a worthwhile contribution to profits for the first time at Gilbert House Investments and boosted the taxable figure by £87,000 to £121,000 for the six months ended September 28 1984. This compares with £28,000 previously.

Tax charge of this property investment and development concern, which is quoted on the USM, amounted to £42,000 (nil) after which earnings per 10p

* * *

WITH PRE-TAX profits up from £111,000 to £176,000 in the half year to September 30, 1984 the directors of Hampton Trust are recommending payment of a 0.35p net maiden interim dividend.

During the period the investment company lifted its rental income from £103,000 to £397,000. Expenses took £171,000 (£120,000) and interest charges £211,000 (£7,000). Other income added £172,000 (£152,000).

Earnings amounted to 0.66p (0.6p) and net asset value per 5p share to 25.9p, or 34.1p including the surpluses on the Mt Martin gold mines and Dares Estates (20.8p at March 31, 1984).

* * *

Kleen-e-ze Holdings, maker of energy saving devices, brushes and cleaning products, raised pre-tax profits from £87,000 to £104,000 for the half year to October 3 1984, after interest charges £18,000 lower at £155,000.

Turnover rose by £0.51m to £7.16m and trading profits were marginally ahead at £260,000 (£258,000). Tax was unchanged at £14,000. There was an extraordinary credit of £262,000 last year, being the surplus on sale of the College business and the transfer to Bristol of Hamson-Ardner and John Ferguson and Sons (Glasgow).

Earnings per 25p share fell from 10.29p to 2.77p, but the net interim dividend is unchanged at 1p—last year's total payout was 5p on £310,736 profits.

* * *

Net asset value per 25p share of the Dundee and London Investment Trust improved by 33p to 203p in the 12 months to October 31, 1984. Net revenue for the period increased from £760,000 to £819,000 after tax of £384,000, against £371,000.

A final dividend of 3.2p (2.85p) raises the net total from 4.35p to 4.7p. Earnings per share amounted to 4.79p (4.43p). Interest charges and administration expenses were little changed.

Bids and deals and more company news, Pages 20, 21

BIDS AND DEALS

Blackwood Hodge sells subsidiaries for £3.3m

Blackwood Hodge, the debt laden construction equipment distribution group, has sold its two subsidiaries that sell and service Cummins engines in the UK to Cummins Engine for £3.3m.

Pre-tax profits from the two, Cummins Diesel Sales and Service and Cummins Recon, were £791,600 in 1983 and £1.17m in 1982.

Cummins, the leading U.S. based maker of diesel engines for large trucks and heavy equipment, paid £3.15m in cash yesterday. The balance is payable on January 22, 1985, following an auditors' report on the valuation of the assets being acquired.

BH said the selling price was £300,000 in excess of the value of these assets on its books. This transaction and the realisation of the related receivables are expected to result in a net cash inflow of £4.5m which will be applied to reducing debt. Interest costs would be reduced by an estimated £0.5m.

BH borrowings stood at £63.2m at June 30, 1984, and the company said yesterday that they had since been reduced by £4m. Shareholders' funds at December 31, 1983, were £34.4m. The company had a pre-tax profit of £1.18m in the first half of this year compared with a loss of £4.55m in the first half of 1983.

The company revealed in September that discussions were under way with Cummins aimed at transferring the U.S. company's distribution and service businesses in the UK and Australia to it. Cummins which has introduced several new engines in the past two years, is seeking to extend direct distribution of al lits products.

BH said yesterday that discussions on the Australian operations were continuing, but any transfer would be subject to the approval of Australia's Foreign Investment Review Board.

BH said that it would continue to be involved with Cummins in servicing Cummins products in the construction and earth-moving industries around the world. It also retains a Cummins dealership, John Blackwood Hodge and Co. in the UK.

Beazer rebases earnings records

BY RAY MAUGHAN

C. H. Beazer (Holdings), the housebuilding and property group has complied with a request from the Takeover Panel that it rebase its earnings comparisons in pursuit of its £48m cash and equity bid for **Bath & Portland Group**.

Accordingly, the bidder has re-scaled the vertical axis of the bar chart comparing the two group's turnover profit before tax and earnings per share performance between 1978 and 1983.

However, the resultant picture does not look markedly different from that contained in the formal offer document. Writing to Bath & Portland shareholders with the new comparisons, Mr Brian Beazer, the chairman of Beazer, says that the adjusted table "shows how impressive Beazer's performance has been compared with that of Bath & Portland's."

Beazer has shown that its earnings per share have increased by 302 per cent between 1978 and 1983 and this assertion is being challenged by the defence. The Takeover Panel has been asked to request that Beazer show more clearly its earnings progress on an actual tax basis, rather than a standard charge. A note in the offer document shows that, on actual tax, earnings have moved between 31.1p and 38p per share in the five-year period.

Bath and Portland is also trying to extract from Beazer more information as to its intentions regarding the enlarged group. As the defence sees it, a bidder is required to give more detail about the future of the continuing businesses in the event of a successful offer.

The defence expects to withhold its formal rejection until the Panel has decided whether such information should be made available. Profit calculations for the year which ended on October 31 will form one of the main planks of the rejection although weekend suggestions that profits before tax may fall some way short of the market's widely held forecast of some £5.5m pushed Bath and Portland's share price down 14p to 270p yesterday. That still represented a near 28p premium per share to the value of Beazer's offer.

GUS stake in Empire may remain above 10%

Great Universal Stores need no longer comply with an earlier Department of Trade and Industry ruling that it reduce its holding in **Empire Stores (Bradford)**, the catalogue mail order group, below 10 per cent.

The original ruling followed a decision by the Monopolies Commission that the GUS bid for Empire, launched in April 1982, would be against the public interest.

GUS has recently sold over half its stake to Veedex, previously known as Vroom en Dreesman, the largest retail specialist in hte Netherlands, and retains onlq 12.7 per cent

Other major holders to emerge on the Empire register since the original Government order was made include two private Italian companies, Gecos and Selefin which jointly hold 20 per cent, while Mr Robert Maxwell's private publishing group, Pergamon Press, has acquired Sears Holdings' long standing 6.2 per cent holding. With further market purchases, Pergamon now holds 7.5 per cent.

Armitage Shanks £4m taps deal

Armitage Shanks, the plumbing fittings and fixtures part of Blue Circle Industries, is to take over the taps, mixers and shower fittings business of **Deltaflow**, part of the Delta Group, for about £4.5m cash.

This deal will considerably increase Armitage Shanks's share of the tap fittings market which is currently under 5 per cent. Deltaflow has 17-20 per cent of the market and annual turnover of £14m-£15m. It employs 500 people at its Wolverhampton factory.

Deltaflow returned to a small profit in 1983 after a three-year reorganisation programme designed to cut costs and production sites, and improve efficiency.

Delta said it was considering buying a ceramics products manufacturers to make more sense of its taps business but decided to sell Deltaflow after an approach from Armitage Shanks.

Imports account for 30-35 per cent of the UK taps and fittings market.

Delta has reached agreement in principle with Armitage on which acceptances have been received.

The offers have become unconditional in all respects but will remain open for acceptance until further notice.

Heron's $80m introduction to NY office development

Heron International, through its U.S. subsidiary **Fidelity Service Corporation of Tucson, Arizona**, is to undertake a major commercial development in New York City with an estimated completed investment value of $80m (£66.78m).

Heron has acquired a site situated in the middle of the city and will be erecting a 30-storey, 140,000 sq ft post-modern office tower with retail space on the ground floor. Individual floors will be in the 5,000 to 7,000 sq ft size range, tailored to the needs of banking and professional tenants and offering full floor prestige to international companies.

The building, which will be completed during the third quarter of 1986, will have granite elevations and will incorporate the latest construction technology, including the provision for a central computer, discount telephone access for tenants and a central security system.

The development is Heron's first major office development in New York. Heron was represented in the purchase by James Andrew, Badger and Weatherall Green & Smith Inc. Both firms have been appointed leasing agents for the building.

Kohn Pederson Fox Associates has been appointed architects. They have designed award-winning building across the U.S., notably in Chicago.

Construction management is by Yehrer McGovern, a leading construction and consulting firm, and project management will be carried out by James Andrew, Badger Inc.

Bemrose

Bemrose, secialist printer and packager, is paying up to U.S.$3.25m (£2.7m) for **Souvenir Group**, which operates in the U.S. specialty advertising market.

It is paying $2.9m plus a maximum $350,000 depending on Souvenir's protfis. Souvenir's net worth at March 31 was $1.57m, and pre-tax profits $406,000.

Chapman pays £12.5m for Inveresk arm

Chapman Industries has exchanged contracts for the purcase of Inveresk Stationery at a cost of £12.5m. It has also contracted to sell off two divisions of Inveresk Stationery for £7.43m, leaving the net cost of the deal at £5.08m.

This will be met partly by the issue of 1.33m shares to G-P Inveresk Corporation (the vendor of Inveresk Stationery) for which places have been procured to raise £2.71m, with the remaining £2.36m in cash raised through unsecured term facilities.

BASE LENDING RATES

A.B.N. Bank	9½%	■ Hill Samuel	§ 9½%
Allied Irish Bank	9½%	C. Hoare & Co.	† 9½%
Amro Bank	9½%	Hongkong & Shanghai	9½%
Henry Ansbacher	9½%	Johnson Matthey Bkrs.	9½%
Armco Trust Ltd.	10½%	Knowsley & Co. Ltd.	10½%
Associates Cap. Corp.	10½%	Lloyds Bank	9½%
Banco de Bilbao	9½%	Mallinhall Limited	10 %
Bank Hapoalim	9½%	Edward Manson & Co.	10½%
BCCI	9½%	Meghraj and Sons Ltd.	9½%
Bank of Ireland	9½%	Midland Bank	9½%
Bank of Cyprus	9½%	■ Morgan Grenfell	9½%
Bank of India	10 %	National Bk. of Kuwait	9½%
Bank of Scotland	9½%	National Girobank	9½%
Banque Belge Ltd.	9½%	National Westminster	9½%
Barclays Bank	9½%	Norwich Gen. Tst.	9½%
Beneficial Trust Ltd.	10½%	People's Tst. & Sv. Ltd.	10½%
Brit. Bank of Mid. East	9½%	R. Raphael & Sons	9½%
■ Brown Shipley	9½%	P. S. Refson	9½%
CL Bank Nederland	9½%	Roxburghe Guarantee	10 %
Canada Perm'n't Trust	9½%	Royal Bk. of Scotland	9½%
Cayzer Ltd.	9½%	Royal Trust Co. Canada	9½%
Cedar Holdings	11 %	■ J Henry Schroder Wagg	9½%
■ Charterhouse Japhet	9½%	Standard Chartered	‖9½%
Choulartons	11½%	Trade Dev. Bank	9½%
Citibank NA	9½%	TCB	9½%
Citibank Savings	¶11½%	Trustee Savings Bank	9½%
Clydesdale Bank	9½%	United Bank of Kuwait	9½%
C. E. Coates & Co. Ltd.	10½%	United Mizrahi Bank	9½%
Comm. Bk. N. East	9½%	Westpac Banking Corp.	9½%
Consolidated Credits	9½%	Whiteaway Laidlaw	10½%
Co-operative Bank	*9½%	Williams & Glyn's	9½%
The Cyprus Popular Bk.	9½%	Wintrust Secs. Ltd.	9½%
Dunbar & Co. Ltd.	9½%	Yorkshire Bank	9½%
Duncan Lawrie	9½%		
E. T. Trust	10 %		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Robert Fleming & Co.	9½%		
Robert Fraser & Ptns.	10 %		
Grindlays Bank	‡ 9½%		
■ Guinness Mahon	9½%		
■ Hambros Bank	9½%		
Heritable & Gen. Trust	9½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.25%. 1 month 7.00%. Fixed rate 12 months £2,500 8.75% £10,000. 12 months 9.00%.
† 7-day deposits on sums of under £10,000 6¼%, £10,000 up to £50,000 7¼%. £50,000 and over 8%.
‡ Call deposits £1,000 and over 6¼%.
‖ 21-day deposits over £1,000 7¼%.
§ Demand deposits 6%.
¶ Mortgage base rate.

BIDS AND DEALS IN BRIEF

F. L. Smidth, a Danish engineering and building equipment group, has taken a 46.4 per cent direct stake in **Anglo Nordic**, a UK holding company with engineering and property interests, and is offering for the remainder at 23p per share.

The offer, which values Anglo Nordic at £4.4m, is made purely to comply with the City code and Smidth has made arrangements to sell shares if its holding his stake from 8.7 per cent to 9 per cent.

* * *

Inter-Channel Pharmaceuticals, a Jersey-registered company, has taken a 15.5 per cent stake in **Sumrie Clothes**, a loss-making Leeds menswear group. Management control of Sumrie is in the hands of Le Chevalerique, a Monaco-based investment company which has 28.6 per cent.

Also disclosed yesterday was the purchase of 10,000 shares by Mr Harvey Michael Ross, a Leeds bullion trader who held 26 per cent of Sumrie until earlier this year and had been reducing his holding. The purchase takes exceeds 51 per cent.

* * *

A £3.7m agreed bid launched on Friday by **French Kier** is for the **William Moss Group**. Saturday's issue incorrectly identified the target as Robert Moss.

* * *

John Menzies, the newsagent, is selling its leasing subsidiary after its tax advantages were reduced in the 1984 UK budget.

The sale cuts £0.6m from the £7.8m transfer from reserves necessitated by the tax changes, and Menzies will also be repaid some £8.6m of borrowings.

* * *

Merlin Profilers, the seismic services company, has sold its Norwegian interests to Norway-based GECO, its major competitor, in a cash and shares deal worth £15m.

Mr Michael Doherty, Merlin's managing director, said the deal would boost the UK operations and help to strengthen and broaden the services offered by the UK group.

Merlin Profilers, is a private company, owned by Norwegian investors, City of London financial institutions sold their interest in the company last year.

* * *

As at November 30, acceptances of the ordinary offer by **Suter** for **Francis Industries** had been received in respect of 5.9m Francis ordinary (52.6 per cent of the issued ordinary and 92.1 per cent of the shares subject to the offer), from 76.8 per cent of the ordinary shareholders.

Together with the 4.8m Francis ordinary held by Suter before the announcement of these offers, represent 95.5 per cent of the issued ordinary share capital.

UK COMPANY NEWS

Brownlee halftime profit up by £340,000

IN THE six months ended September 30 1984, "a period of intense competition and of uncertainty produced by the instability of the world's currency markets," timber and builders' merchants group Brownlee has pushed up its pre-tax profit from £1.46m to £1.8m.

This is considered to be "a solid achievement" and the directors are reasonably confident that steps taken to control costs, increase efficiency and expand markets will produce a "satisfactory outcome" for the year to March 31 1985.

They warn, however, that a severe winter, an increase in industrial unrest, or further cutbacks in public expenditure on new housing or on housing improvements and maintenance could all have a materially adverse effect on the year's results.

For the first half turnover moved up from £16.89m to £18.23m on which an operating profit of £1.82m (£1.53m) was made. Tax takes £810,000 (£650,000) to leave the net profit at £991,000 (£806,000) or 6.2p (5.1p) per share. The interim dividend is 1.3p net, compared with 1.15p. For 1983-84 a total of 3.5p was paid from pre-tax profits of £2.68m.

London listing for Lincoln National Corp.

The major U.S. insurance holding company Lincoln National Corporation has obtained a listing on the London Stock Exchange and its shares will be quoted as from today.

The company is the sixth largest U.S. proprietary life insurance company, the largest U.S. life reinsurance company and one of the 15 largest financial services companies in the U.S. Its assets at the end of 1983 of US$11.1bn (£9.27bn) with total revenues of US$3.9bn and operating revenue of $168m. It is currently capitalised on the New York Stock Exchange at $1.5bn.

In May 1984, it acquired the UK linked life company Cannon Assurance, with policyholders' funds of £195m at the end of 1983. Lincoln National intends to put more capital into Cannon to strengthen its marketing operations so that it will become a greater force in the UK life assurance field.

The primary thrust will be to strengthen the full-time agency force, revitalising the sales organisation. Emphasis will be placed on the universal life product which has sold well in the U.S. Lincoln National's expertise in marketing will be used to facilitate this expansion.

MINING NEWS

Good set of half-year dividends from Gencor

BY KENNETH MARSTON, MINING EDITOR

A GOOD set of December half-yearly dividend declarations comes from the South African gold mines in the General Mining Union Corporation (Gencor) camp.

They follow sharply higher net profits in the September quarter, when the gold prices received were boosted to near record levels as a result of the strength of the U.S. dollar in which gold shares are made.

Of the payments, which are well above market expectations, the most outstanding is the increased interim of 375 cents (168p) declared by Buffelsfontein for the year to next June. For the previous 12 months the big mine paid an interim of 270 cents followed by a final of 300 cents.

The other payments take the form of final dividends for 1984 and among them Stilfontein comes out particularly well with a payment of 180 cents to make a year's total of 310 cents against 280 cents for 1983.

Grootvlei's final of 104 cents is comfortably at the top end of estimates. Following a higher than expected interim, it brings the total for 1984 to 165 cents against 126 cents in 1983.

Marievale has made up for the disappointing interim with a final of 36 cents to make a year's total of 54 cents against 50 cents. The elderly mine had a poor June quarter as a result of reduced production and sharply higher costs, but earnings moved strongly ahead in the September quarter as output picked up again.

Another veteran mine, West Rand Consolidated, continues to press on gamely with the aid of high rand prices for its gold. It is raising its final to 60 cents, bringing the year's total to 80 cents from 60 cents in 1983.

The only disappointment comes from St Helena, the group's only producer in the Orange Free State. In this case the final is below expectations at 165 cents to make a total of 320 cents against 440 cents for last year.

Distributable earnings are being checked by the mine's heavy ongoing capital expenditure, which is targeted at R33.6m (£15.1m) for this year, compared with R14.4m spent in 1983.

The group's coal-producing Trans-Natal is declaring an unchanged interim of 30 cents for the year to next June. The previously administered Clydesdale (Transvaal) Collieries was told to Gold Fields of South Africa earlier this year in a deal worth some R73m.

The Gencor group's latest gold dividends are compared in the following table.

Buffelsfontein	*375	300	*270	330
Grootvlei	104	*61	61	*65
Marievale	36	*18	26	*24
Stilfontein	180	*130	140	*140
St Helena	165	*155	190	*250
West Rand	60	*20	20	*40

* Interim.

Higher interims from Anglovaal

THE WEAKNESS of the South African rand against the U.S. dollar, which led to record gold prices in local currency terms for the South African gold mining industry during the third quarter of this year, is now being reflected in higher dividend payments from some of the country's gold producers.

The biggest surprise in the latest batch of interim dividend declarations from the mines in the Anglovaal group is the 75 cents (34p) payment from the veteran Eastern Transvaal Consolidated, which mines gold in the Barberton area, 500 kilometres east of Johannesburg.

The latest payment compares with last year's interim of just 20 cents, when the mine's distributable profits were depressed by heavy capital expenditure. The total for the year to June was 90 cents.

The other gold mines in the group are also paying higher interims, with Hartebeestfontein declaring 32.5 cents against last year's 30 cents, adjusted for the 10-for-one share split earlier this year. The holding company Zandpan has declared an interim of 55 cents, up from last year's 50 cents, reflecting improved earnings from its interest in Harties. Zandpan has approved a similar subdivision of shares, and the dividend will therefore, be re-stated as 5.5 cents.

Anglovaal Holdings, the leading company in the group, has raised its interim from 8.5 cents to 9.5 cents, while Anglovaal Limited declared a payment of 100 cents, up from last year's 90 cents.

Middle Witwatersrand (Western Areas), the principal mining investment company within the Anglovaal group, increased its payment from 1983's 40 cents to 45 cents, while the copper and zinc producer Prieska Copper Mines will pay an interim of 30 cents, which compares with 10 cents last time.

Prieska, which operates in the north-western part of Cape Province, has already announced that it plans to cease mining towards the end of next year.

Anglovaal's other base metal company, the antimony and gold producer Consolidated Murchison, will be declaring its final dividend later this month. Murchison paid a total of 100 cents last year, and has already paid an interim of 30 cents.

Unilock £283,000 ahead in opening half

FIRST HALF profits before tax of Unilock Holdings soared by £283,000 and at £461,000 were some £13,000 ahead of those returned for the previous full year.

Profitability is expected to continue to rise and lift the full year results significantly above those for the year to April 1 1984.

In view of the improved figures the interim dividend is being stepped up from 0.425p to 0.575p net per share.

Turnover for the six months rose from £6.25m to £9.35m, an increase of almost 50 per cent—the group manufactures partitioning systems.

The balance sheet has been strengthened further and cash reserves have increased.

The principle factor affecting the results was a considerably improved contribution from the contracting division of the major subsidiary, Unilock Group. The other subsidiaries also increased their profitability and are taking steps to ensure continued growth.

The product approach in the international division is being reviewed in order to improve the group's return in this area.

Tax accounted for £213,000 (£57,000) to leave net profits at £248,000 (£121,000), or earnings of 1.58p (0.77p) per share.

The group's shares are traded on the market made by Granville & Co.

Howard and Wyndham loss cut

Howard and Wyndham, publisher and retail jeweller, reduced its pre-tax losses from £230,000 to £23,000 over the six months ended June 30 1984. The results were struck after deducting interest charges of £105,000, against a previous £89,000, and adding in an associates' share of profits amounting to £68,000 (£86,000 losses).

Sales totalled £1.41m (£2.26m) and at the trading level the group was £14,000 in profit (£55,000 deficit). The comparative results included those of W. H. Allen as a wholly-owned subsidiary. The company became an associate last March.

APPOINTMENTS

Unilever board changes

Mr C. F. Sedcole, Mr J. Louden, Mr F. W. L. Mann and Jonkheer I. E. B. Quarles van Ufford will not seek re-election to the boards of UNILEVER at the annual meetings in May 1985. Mr Sedcole is a vice-chairman of Unilever and chairman of the overseas committee. Mr Louden is chairman of UAC International since 1979. Mr Mann is detergents co-ordinator. Jonkheer Quarles van Ufford is a member of the overseas committee. It is intended to nominate as directors of both parent companies: Mr M. Dowdall, Mr H. Eggerstedt and Mr M. S. Perry. Mr Dowdall is deputy detergent co-ordinator; Mr Perry is joint managing director of UAC International; Mr Eggerstedt, the first German to become a director of the parent company, is treasurer of Unilever PLC and NV.

*

MAY AND BAKER has elected Dr Keith W. Humphreys as chairman. This follows the recent resignation of the former chairman, M. Jean-Marc Bruel, from his posts in the Rhone-Poulenc Group. Dr Humphreys remains managing director of May and Baker.

Sir Alistair Frame has retired from the board of BRITOIL. He was appointed as a Government director in November 1982 and is leaving at his own request after completing two years in office and in view of his other interests. An announcement of his successor will be made in due course. Sir Alistair has been deputy chairman and chief executive of Rio Tinto Zinc Corporation since 1978. He wil take over as chairman from March 31. He is a director of a number of other companies including Plessey and the Toronto-Dominion Bank.

*

Two appointments have been made to the court of directors of CABLE AND WIRELESS as part of a reorganisation at main board level. Mr T. Chellew becomes executive director responsible for Bermuda, the Caribbean and South America, and Mr J. W. C. Ormsby becomes executive director responsible for the Middle East, Indian Ocean, Africa and the Atlantic. Mr J. H. Crouch, a member of the court since September 1981, has relinquished the post of director, technology, and has been appointed the group's first director, marketing. Mr D. C. Buck, a member of the court since May 1982, takes responsibility for the reorganised engineering and projects division and for central operational and personnel services.

*

Mr Gordon Dean has been appointed chairman of BELL-FRUIT (UK), a gaming and amusement machine hiring and service subsidiary of Cope Allman International. He has been deputy chairman and managing director for many years and plans to retire in March next year. Mr P. A. Cox, who joined the Bell-Fruit (UK) board at the beginning of September, has taken over the responsibilities of managing director from Mr Dean.

*

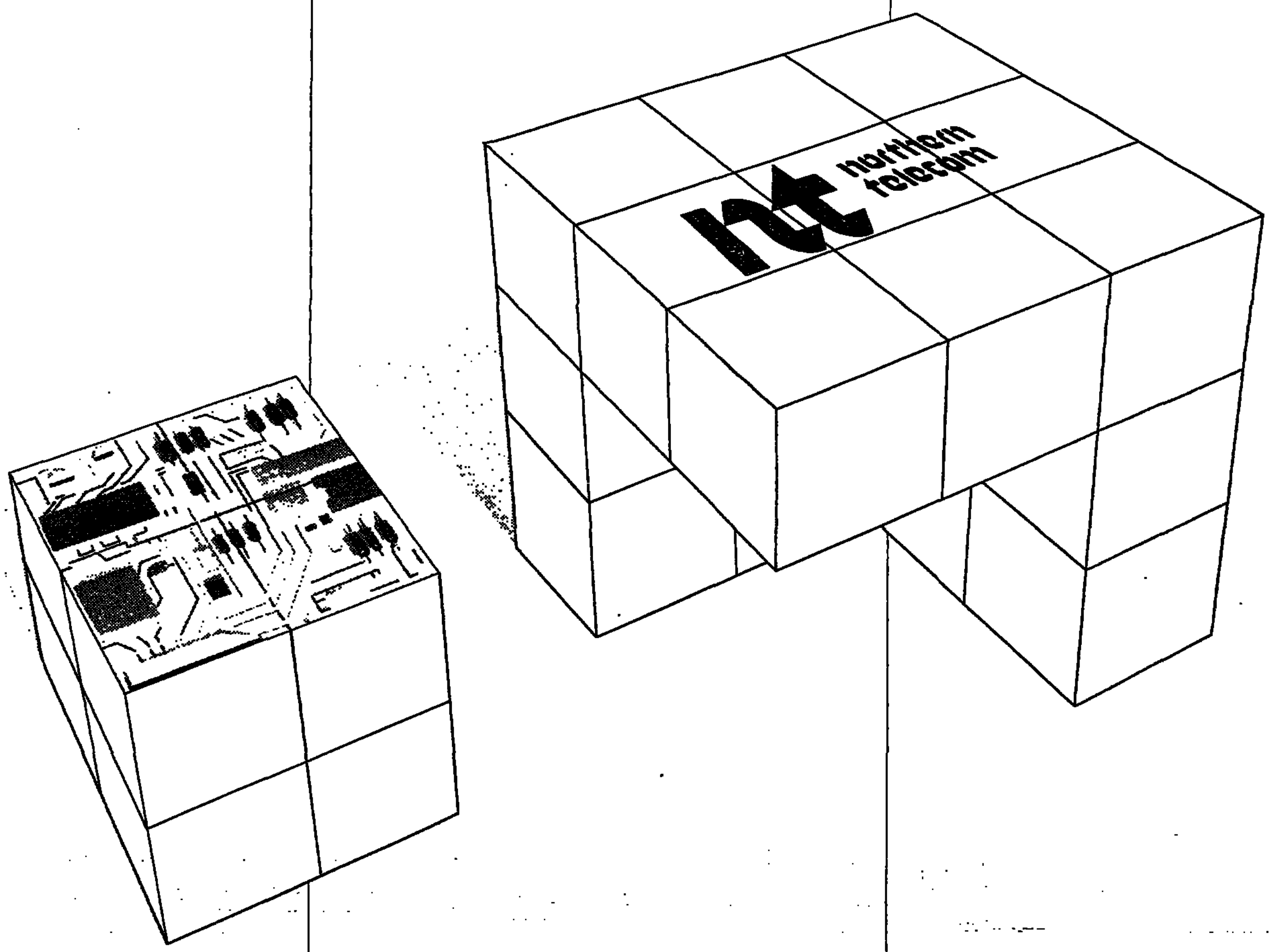
Mr Peter A. C. Richardson has been appointed non-executive director of PROTEK INTERNATIONAL, Edinburgh. He was retail managing director of John Menzies (Holdings).

*

Mr Michael J. Robinson has been appointed a director of FEDERATED HOUSING. He joined in August from Haden, where he was financial controller of the construction services division.

Company Notices

NORTHERN TELECOM. BUILDING THE TELECOMMUNICATIONS FUTURE.



RESEARCH AND DEVELOPMENT: THE CORNERSTONE.

Today's telecommunications revolution began with an idea: to create a digitally based global communications network so comprehensive that, through the use of intelligent terminals, information will be organised, stored, accessed, and retrieved from any source in the world. That idea was nurtured in the Northern Telecom laboratories of Bell-Northern Research Ltd. For more than a decade, BNR engineers and scientists have been developing the products and systems that are translating that vision into reality.

A FIRST WITH DIGITAL WORLD

Their efforts resulted in the 1976 announcement of the Digital World*. With Digital World, Northern Telecom became the first company in the world to commit to the development of a complete family of **fully** digital telecommunications systems. Today, as a result of Northern Telecom's leadership, analogue technology, on which the international telecommunications grid was based for a century, is being replaced by fully digital systems. Other manufacturers have since followed the same digital route.

To maintain its two-to-three year lead over all the other telecommunications manufacturers in the world, Northern Telecom annually invests nearly 10 percent of worldwide revenues in research and development. Annual spending on R&D, which was £18 million in 1973, grew to more than £175 million, nearly 10 times as much, in 1983.

Bell-Northern Research, one of the largest private industrial research and development organisations in North America, with some 3,900 employees, operates six laboratories in Canada, and four in the United States. In the United Kingdom, a new BNR facility has been established near London where, 70 employees will be working on international versions of Northern Telecom's circuit and data packet switches.

In addition to BNR, Northern Telecom also operates some 27 R&D centres associated with its manufacturing facilities in North America and the United Kingdom.

More importantly to its customers, Northern Telecom's R&D is market-driven.

ANTICIPATING THE NEEDS OF CUSTOMERS

New-product development addresses the anticipated *needs of Northern Telecom's customers and of developing* markets. It protects the investment of Northern Telecom's customers by constantly evolving systems as technology progresses, rather than making them obsolete, a generation at a time.

Northern Telecom is also a global leader in developing advanced semiconductor technology. For example, the world's first single-chip filter codec (coder-decoder) was developed by Northern Telecom in 1978. The company has produced millions of them. In 1981, Northern Telecom leapfrogged its own technology with the E-99 line card chip. The E-99 performs all the functions of the first codec, plus those of another chip of similar complexity, and more than 30 additional electronic components. This reduces the cost of switching systems and improves reliability. Today, Northern Telecom's competitors are only just beginning to produce single-chip filter codecs.

Bell-Northern Research has designed and developed an unequalled list of advanced, fully digital, telecommunications and information-management systems products. A few of these leading-edge products include:

SL*-1 AND SL-100 DIGITAL BUSINESS COMMUNICATIONS SYSTEMS—fully digital PBXs, (private branch exchange) integrating proprietary, featured key telephones. The SL PBXs are the largest-selling digital PBXs in the world with almost four million lines installed in 46 countries. The SL-1 was the first PBX to offer integrated voice and data capability.

SL-10 PACKET SWITCHING SYSTEM—bundles data into packets of information, each containing its own destination address. Major systems have been sold to Telecom Canada, the West German Bundespost, the U.S. Federal Reserve System, and other customers in the U.S., Belgium, Austria, Switzerland, Portugal, Hong Kong, the U.K. and the Republic of Ireland.

DMS*-1—the Digital Multiplex System most widely used by telephone companies in rural areas. DMS-1 can serve up to 256 lines over just four pairs of wires. DMS-1A systems, designed to meet CCITT recommended standards, have been installed in the British Telecom network.

DMS-10—designed to handle the needs of smaller communities requiring service for up to 8,000 telephone lines. *It is the largest-selling digital switch in the* world. The DMS-10M is a specially designed compact version housed in a mobile cabinet on wheels. The packaged design virtually eliminates the need for engineering by telephone companies, permitting rapid and unassisted installation.

DMS-100—developed to meet the needs of larger communities and cities needing a big switch for local calling. DMS-100 can serve up to 100,000 telephone lines and, with its Remote Line Modules, can economically provide service to smaller communities in surrounding locations.

VANTAGE* 12/48—a family of microprocessor-controlled, electronic key telephone systems designed for the small-business user, which can handle up to 16 lines and 48 extensions.

DISPLAYPHONE*—the world's first integrated voice and data office work station. This advanced telephone can transmit and receive data in one convenient desk-top unit.

The digital systems of tomorrow, conceived, designed, and manufactured by Northern Telecom, continue to set worldwide performance standards.

For more information on Northern Telecom and its products contact: Northern Telecom plc, Berkeley Square House, Berkeley Square, London W1X 5LE. Telephone: 01-491 4599.

northern telecom

*Trademark of Northern Telecom Limited

THE LARGEST SUPPLIER OF FULLY DIGITAL SYSTEMS IN THE WORLD.

FINANCIAL TIMES

Tuesday December 4 1984

WALL STREET

Worries on economic pace persist

DOUBTS OVER the slowdown in the U.S. economy continued to unsettle Wall Street yesterday, as did the implications of the Treasury's proposals for changing the tax structure, *writes Terry Byland in New York.*

A seasonal upturn in construction spending was offset by a bearish report from purchasing managers at major companies.

The chief excitement came from the huge turnover in British Telecom on the first day of dealings in the largest public stock issue in history. Almost two thirds of the 18 m shares made available in the U.S. changed hands by midsession, setting a new trading record for the New York Stock Exchange. The price soared to a premium of more than 80 per cent on the equivalent sterling-denominated issue price.

The BT stock, sold in the form of American depositary receipts (ADRs), each representing 10 shares, moved to $11 within minutes of the joint opening in London and New York. The stock settled at around this level with Morgan Stanley, leader of the U.S. underwriting syndicate, opening the batting by selling a block of 4.1m ADRs at $11, and following up with a further 2.4m sales at the same price within the hour.

With most of the major Wall Street houses sharing in the underwriting and their big institutional customers looking for a quick profit on the issue, there was a wave of excitement as soon as dealings opened in BT. Fanning the flames was a substantial demand from UK investment houses wanting shares for disappointed local clients.

By the close of the session, some 16.4m ADRs of British Telecom had been traded, out of the total 18 m available in the U.S. The price remained at $11 throughout the day. "London was buying, New York was selling," was the comment from the trading floor.

The rest of Wall Street took its cue from a dull credit market, and stock prices renewed the slide seen at the end of last week. Treasury bill rates eased but other short-term rates moved higher, behind a rise in federal funds rate to 9⅝ per cent. In the bond market, prices gave ground in thin turnover.

News of $1.5bn in customer repurchases by the Federal Reserve had little effect.

Sharp falls in both IBM and Union Carbide helped depress market indices. The Dow Jones industrial average, more than 11 points down at one time, steadied at the close to show a net fall of 6.52 points to 1,182.42. The total of shares traded increased to 95.6m but this included the exceptionally heavy turnover in British Telecom.

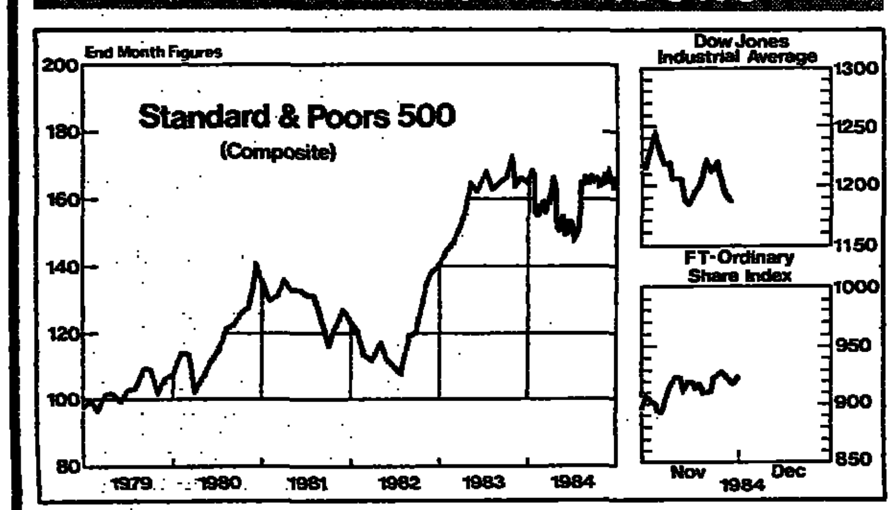
IBM fell $1⅞ to trade at $120 although turnover in the stock was moderate. Selling came mostly from private investors responding to bearish comments on the computer leader from a leading, and highly rated, mutual fund manager who disclosed last week that his funds held no stock in IBM.

Union Carbide also dipped in thinnish turnover. At $47 it showed a fall of $1⅞ as the market scanned the reports from India of the mishap at a group plant, believed to involve hundreds of deaths.

Retail issues remained unsettled ahead of reports on Christmas trading which has greater than usual significance this year because of the signs of a slowdown in the economy. An exception, however, was Allied Stores, which *jumped $7 to $56¼ in heavy turnover after reports that Mr Alan Clore, the UK financier, might be mounting a takeover attack.*

Rates on bank certificates of deposit gained 10 basis points as lenders waited for the banks to reduce prime rates again. A Cleveland bank joined the move to a 9 per cent rate. A scattering of losses in bonds, however, included a fall of ⁹⁄₃₂ to 101¹¹⁄₃₂ in the key long bond.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 3	Previous	Year ago
NEW YORK			
DJ Industrials	1,182.42	1,188.94	1,265.24
DJ Transport	523.58	522.25	605.29
DJ Utilities	144.39	145.62	134.87
S&P Composite	162.82	163.58	165.44
LONDON			
FT Ord	924.9	917.3	742.0
FT-SE 100	1,191.7	1,181.3	905.6
FT-A All-share	571.94	560.26	459.51
FT-A 500	626.59	611.23	491.08
FT Gold mines	560.8	544.3	579.5
FT-A Long gilt	10.12	10.12	10.18
TOKYO			
Nikkei-Dow	11,513.58	11,428.9	9,379.85
Tokyo SE	880.99	875.81	692.94
AUSTRALIA			
All Ord.	740.0	749.0	736.9
Metals & Mins.	432.0	439.7	544.8
AUSTRIA			
Credit Aktien	58.09	58.36	54.15
BELGIUM			
Belgian SE	157.40	157.61	128.99
CANADA			
Toronto			
Metals & Minls	1,882.4	1,872.9	2,507.0
Composite	2,366.3	2,368.5	2,550.2
Montreal			
Portfolio	117.23*	118.27	124.98
DENMARK			
Copenhagen SE	167.54	168.28	198.59
FRANCE			
CAC Gen	181.2	181.0	149.6
Ind. Tendance	120.6	120.8	95.9
WEST GERMANY			
FAZ-Aktien	375.55	372.82	348.3
Commerzbank	1,097.4	1,089.9	1,031.3
HONG KONG			
Hang Seng	1,122.26	1,128.1	855.74
ITALY			
Banca Comm.	215.75	215.15	190.02
NETHERLANDS			
ANP-CBS Gen	178.2	177.5	146.9
ANP-CBS Ind	140.3	140.1	118.7
NORWAY			
Oslo SE	275.38	272.83	207.05
SINGAPORE			
Straits Times	801.38	817.56	930.55
SOUTH AFRICA			
Golds	1,071.6	1,040.4	850.4
Industrials	968.7	971.2	906.6
SPAIN			
Madrid SE	141.83	143.05	124.95
SWEDEN			
J & P	1,345.90	1,341.56	1,526.83
SWITZERLAND			
Swiss Bank Ind	378.8	377.6	368.7
WORLD	Nov 30	Prev	Year ago
Capital Int'l	183.8	184.3	182.1

GOLD (per ounce)

	Dec 3	Prev
London	$330.50	$329.25
Zürich	$331.00	$329.00
Paris (fixing)	$328.32	$339.41
Luxembourg (fixing)	$328.30	$329.00
New York (Dec)	$331.60	$329.10

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Dec 3	U.S. DOLLAR Previous	STERLING Dec 3	STERLING Previous
$	–	–	1.195	1.198
DM	3.115	3.1045	3.725	3.7125
Yen	248.15	247.4	296.5	296.5
FFr	9.54	9.49	11.39	11.365
SwFr	2.5658	2.5525	3.065	3.06
Guilder	3.5145	3.49	4.195	4.185
Lira	1,925.5	1,916.5	2,302.5	2,292.25
BFr	62.55	62.5	74.8	74.55
C$	1.324	1.32245	1.5825	1.5865

INTEREST RATES

	Dec 3	Prev
Euro-currencies (3-month offered rate)		
£	9⅞	9¹³⁄₁₆
SwFr	5⅛	5
DM	5¾	5¹¹⁄₁₆
FFr	11	10¹⁵⁄₁₆
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⁷⁄₁₆	9⁵⁄₁₆
6-month U.S.$	9⅝	9⅝
U.S. Fed Funds	9⅝	9⅛
U.S. 3-month CDs	8.95	8.90
U.S. 3-month T-bills	8.39	8.40

U.S BONDS

	Dec 3* Price	Dec 3* Yield	Prev Price	Prev Yield
Treasury				
10⅝ 1986	99²⁹⁄₃₂	10.48	99²⁷⁄₃₂	10.49
12¼ 1991	103¹³⁄₃₂	11.52	103¹¹⁄₃₂	11.52
11⅝ 1994	100¹⁵⁄₃₂	11.54	100 ⁹⁄₃₂	11.57
11¾ 2014	101²¹⁄₃₂	11.55	101¹³⁄₃₂	11.58
Corporate				
AT & T				
10⅜ June 1990	95¾	12.45	95¾	12.45
3⅞ July 1990	73⅞	10.15	73⅞	10.15
8¾ May 2000	77⅛	12.05	77⅛	12.05
Xerox				
10⅞ March 1993	93⅞	11.85	93⅞	11.85
Diamond Shamrock				
10⅝ May 1993	92½	12.05	92½	12.05
Federated Dept Stores				
10⅜ May 2013	11.85	90	11.85	90
Abbot Lab				
11.80 Feb 2013	97⅛	12.15	97⅛	12.15
Alcoa				
12¼ Dec 2012	99¼	12.35	99¼	12.35

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	71–25	72–03	71–16	71–20
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	91.55	91.58	91.49	91.54
Certificates of Deposit (IMM) $1m points of 100%				
Dec	90.91	90.93	90.84	90.88
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	90.60	90.60	90.54	90.65
20-year Notional Gilt £50,000 32nds of 100%				
Dec	109–19	109–20	109–04	109–13

COMMODITIES

(London)	Dec 3	Prev
Silver (spot fixing)	587.10p	587.10p
Copper (cash)	£1,098.50	£1,089.00
Coffee (Nov)	£2,295.50	£2,295.50
Oil (spot Arabian Light)	$27.725	$27.65

TOKYO

Records are solidly established

BUYING interest centred on incentive-backed issues to send share prices substantially higher in Tokyo yesterday, with the Nikkei-Dow market average eclipsing its all-time high for the third consecutive trading day, *writes Shigeo Nishiwaki of Jiji Press.*

The barometer of 225 select issues gained 74.94 to a record 11,513.58. The Tokyo Stock Exchange index of all listed stocks also advanced 6.63 to 880.99, surpassing the previous high of 876.62 recorded on April 2.

Volume increased from Saturday's 518.11m shares to 644.94m, as gains outnumbered losses by 411 to 308, with 125 issues unchanged. Investors stepped up buying in high hopes of continued price rises toward the year-end.

Among incentive-backed issues, Asahi Chemical topped the actives list with 49.89m shares changing hands, rising Y25 to Y645. It drew popularity on speculation that the company might shortly announce the results of research on tumour necrosis factor, an anti-cancer agent.

Opto-electronics and new materials-related stocks also fared well. Nippon Sheet Glass jumped Y33 to Y771, Sumitomo Electric Industries Y25 to Y990 and Shimadzu Y45 to Y900. NGK Insulators added Y26 to Y991 and Asahi Glass Y18 to Y880.

Financial issues held firm. Sumitomo Marine and Fire, the third most active with 19.74m shares traded, gained Y38 to Y678. Tokio Marine and Fire added Y18 to Y726 and Sumitomo Bank Y50 to Y1,620.

Iino Kaiun soared Y79 to Y394 on speculative buying, while Japan Metals and Chemicals scored a daily limit gain of Y80 to Y470. However, Mochida Pharmaceutical suffered a daily limit loss of Y500 to Y11,870. Nippon Denko fell Y20 to Y1,070 in apparent reaction to tightened margin trading.

Blue chips were still out of general favour, suffering from fears of renewed trade friction, with inactive foreign buying another dampening factor. Matsushita Electric Industrial rose slightly by Y30 to Y1,420 and Canon Y20 to Y1,540.

Despite the weaker yen, bond prices firmed slightly, supported by the Bank of Japan's buying operation. The central bank invited subscriptions for its purchase of about Y20bn worth of the 11th 8 per cent and the 21st 7.7 per cent government bonds falling due in November 1986 and in August 1989 respectively.

The yield on the benchmark 7.3 per cent government issues maturing in December 1993, declined from 6.6 per cent on Saturday to 6.59 per cent.

SINGAPORE

A SHARP retreat among bank stocks followed reports that several Singapore banks were substantial lenders to Chop Hoo Thye, an import-export group which halted operations at the weekend with around S$100m in outstanding debts.

Among the banks OUB slid 14 cents to S$4.02, DBS 5 cents to S$5.30, and OCBC and Malayan Banking each dropped 10 cents to S$8.85 and S$5.60 respectively. Property stocks came under the cloud cast by the group's collapse and lost ground in more active trading.

The Straits Times index recorded its second consecutive 16-point fall to close down 16.18 to 801.38, although the volume thinned from 10.5m shares on Friday to 7.1m.

HONG KONG

PROFIT-TAKING and consolidation dragged share prices downward during dull Hong Kong *trading.*

All major banks closed lower, with Hang Seng 50 cents down at HK$40.50, HK and Shanghai 5 cents easier at HK$7.35 and Bank East Asia off 10 cents to HK$9.

Property stocks recovered some early losses but were generally lower on the day in thin trading.

EUROPE

Strength turns selective

STRONG but selective gains were accorded to West German and Dutch shares yesterday, as the export earnings potential held out by the dollar's vigour enabled the lower pre-weekend trend on Wall Street to be shaken off.

Most other continental European centres finished little changed on a quiet session, however.

Car makers drew good Frankfurt demand, with banks reported to be buying on their own account in anticipation of a year-end run-up. Daimler Benz advanced DM 10.50 to DM 585.50 and VW touched DM 204 before settling at DM 202.80 for a rise of DM 4.70.

Chemicals also made progress, taking BASF DM 2.10 higher at DM 176 while Schering jumped DM 7.50 to DM 426. Steels also recovered from the setbacks prompted last week by U.S. import curbs on tubes and pipes: Hoesch rose DM 2.30 to DM 102 and the engineering sector also drew benefit, with a DM 10 boost for KHD at DM 262.

The Commerzbank index of 60 leaders moved 7.5 ahead at 1,097.4, just 4.8 below its October 22 record.

Moderately active domestic bond dealings took prices higher by up to ¼ and allowed the Bundesbank to offload DM 12.9m in paper, up from Friday's DM 5.6m sales despite the imminent launch of a new government loan stock.

The start of a new Amsterdam trading month came amid a revival of foreign buying and helped take Akzo Fl 1.10 higher at Fl 96.10, Nedlloyd up Fl 3.50 to Fl 163.50 and Unilever 70 cents ahead at Fl 302.50.

Philips failed to join in, dipping 50 cents to Fl 53.80, and Ahold fell Fl 2 to Fl 180.70.

Bonds edged lower.

Directionless Paris dealings showed CIT-Alcatel FFr 28 off at FFr 1,330 and La Redoute down FFr 25 to FFr 1,185, but Imetal gained FFr 3 to FFr 79.50 and Damart FFr 100 to FFr 2,390.

Insurance issues were favoured in a well supported Zurich, although volume was on the thin side. Swiss Re jumped SwFr 200 to SwFr 7,900 and Zurich Insurance firmed SwFr 50 to SwFr 17,950. Brown Boveri picked up SwFr 20 at SwFr 1,335 as it outlined a healthy trading picture.

Bonds were barely changed.

A liquid Milan allowed good initial gains particularly among the industrial leaders, but demand and prices fell away later. Fiat nonetheless ended L21 up at L1,926 and Montedison L28 to L1,262.

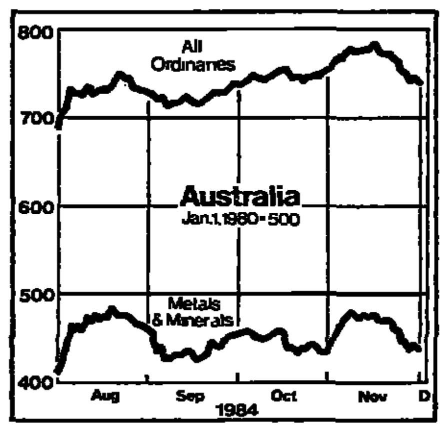
Banks weakened, pulling Banca Commerciale L350 lower at L15,200, while the authorities sold Treasury bills into a firm credit market.

A steady **Stockholm** result featured Alfa-Laval with a SKR 11 gain at SKr 200, attributed to expectations that Lundbergforetagen would seek to lift its stake. Amid the British Telecom flurry, Ericsson dipped SKr 2 to SKr 265.

Brussels continued to be weighed down by the capital increases under way at Société Générale, off BFr 5 to BFr 1,775, and Groupe Bruxelles Lambert, BFr 10 firmer at BFr 2,100. Subscriptions for the former start today, which is also the closing date for the latter.

Cobepa, the latest to join the rights queue, edged up BFr 10 to BFr 3,205.

Chemicals and steels resisted an otherwise lower **Madrid** trend.



AUSTRALIA

THE RE-ELECTION of the Labor Party in Saturday's national elections appeared to have little impact on the course of trading in Sydney as investors gave bearish interpretations to international factors and cut prices of leading industrial and mining issues.

The weaker tone of the international bullion price and a fall on Wall Street following a large jump in U.S. money supply were seen as the key factors behind a 9-point fall to 740 in the All Ordinaries index and a 9.3 decline in the All Resources index to 472.9.

Falls outnumbered rises by more than two to one with leading mining issues singled out for the heaviest selling. Aberfoyle dropped 26 cents to A$8.64 while fellow gold producers GMK and Poseidon shared 10 cent declines to *A$5.90 and A$3.35 respectively.*

BHP's shares which were split from A$2 to A$1 par value, slipped 16 cents to A$5.14 from Friday's A$10.60.

LONDON

Telecom success cheers

THE DEBUT of British Telecom stole the attention of investors in London and proved more successful than followers of the mammoth issue had dared hope.

Owing largely to the basis of allocating shares, estimates of the premium over the issue price were raised throughout the session. At 3pm the shares began life at 95p to 97p in their partly paid form of 50p, against Friday's forecast of a 20p premium.

Activity broadened later in the specially extended session and BT shares were fetching 93p, after extremes of 92p and 97p. Intense overseas interest boosted the trading pace. *The combined turnover of all eight jobbers was estimated at around 1bn shares.*

Leading equities were lifted amid the air of expectancy generated by the BT float. Several electrical stocks responded positively but tailed off prior to the start of trading in BT.

The FT Ordinary index held its late morning gain to close up 7.6 at 924.9.

Chief price changes, Page 26; Details, Page 27; Share information service, Pages 28–29.

SOUTH AFRICA

DULL AND featureless Johannesburg trading emerged in the absence of a clear direction in the bullion price.

Limited overseas buying interest lent support to selected quality gold stocks. Among the improvers Hartebeestfontein rose 75 cents to R10.80, Zandpan 40 cents to R19 and Kloof 25 cents to R76.25.

Mining financials were marginally easier with Anglo American down 25 cents to R24 and Impala platinum 5 cents lower at R23.30.

Industrials closed mixed with an easier bias.

CANADA

A BROADLY BASED decline developed during trading in Toronto, although activity in British Telecom, which is selling 5.5m shares in Canada, swelled business.

Falls among oil and property groups led the market lower during generally *thin trading with declines holding a clear advantage over advances.*

Montreal shares also eased in light business.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	13¼	AAR	.48	2.6	17	836	19¼	18½	18¾	-⅝
30½	9⅝	AGS			8	268	11	10½	11	+½
17⅞	13⅞	AMF	.50	3.4	63	283	15⅛	14⅞	14⅞	-⅛
41⅛	24¼	AMR			5	2757	33⅛	32½	33⅛	+⅝
20⅛	16¼	AMR	pf2.18	11		11	19⅝	19⅛	19⅝	
41½	27½	AMR	pf2.13	8.2		237	34⅛	33⅝	34⅛	+⅝
25¼	22⅞	ANR	pf2.67	12.		1	23	23	23	
23	19	ANR	pf2.12	11.		3	19⅝	19¼	19⅝	
15⅛	8½	APL			3	10	10⅛	10¼	10⅛	-⅛
71⅛	40¼	ARA	2.10	3.0	14	724	71⅛	71	71⅛	
69¾	44⅛	ASA	3a	5.4		194	55⅝	55⅛	55⅜	+¼
30⅛	16½	AVX	.32	1.8	11	113	18⅛	18	18⅛	+⅛
48⅛	35⅛	AbtLab	1.20	3.0	13	3231	41⅛	39⅞	40	-1¼
23⅝	16½	AccoWd	s.44	2.1	17	405	21⅛	21	21	-⅛
27¼	12½	AcmeC	.40	2.9		64	14	13⅞	13⅞	-½
12⅛	6¾	AcmeE	.32b	3.5	13	4	9¼	9⅛	9¼	+⅛
18⅛	15	AdaEx	2.11e	13.		149	16¼	16	16	-⅛
18⅞	11⅞	AdmMl	.32	2.2	7	34	14⅝	14½	14½	+⅛
21⅛	11⅞	AdvSys	.81t	7.1	11	120	12	d11¼	11⅞	-½
41⅛	25⅞	AMD			12	1615	28⅛	27	28	+⅛
14⅞	6¾	Advest	.12	1.6		83	7⅞	7⅛	7½	+⅛
16¼	8⅛	Aeroflex			10	31	11⅛	10⅞	11	-⅛
39	27⅞	AetnLf	2.64	7.6	29	1465	35	34⅝	34⅞	
58⅛	52⅞	AetL	pf5.78e	10		2352	55⅛	55⅛	55⅜	-⅛
34½	15⅛	Ahmns	1.20	5.1	11	1530	25	23½	23⅝	-1¼
5½	2⅞	Aileen				90	3¼	3⅛	3⅛	
48⅛	36½	AirPrd	1.20	2.7	10	301	45	44½	44½	-½
30½	13	AirbFrt	.60	3.1	11	57	19½	19¼	19½	+⅛
4¼	1⅞	AlaMoa	.3e	7.5		187	4	3⅞	4	
27⅛	21	AlaP	pf2.97e	12.		400	24½	23⅞	24½	+⅞

Continued on Page 25

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¼	3⅞	ADI	n		19	30	5½	5¼	5¼	-¼
3⅜	1	AICPh				6	[illegible]	[illegible]	[illegible]	-⅛
16¼	8¼	ALLab	n .20	2.1	9	12	9½	9¼	9¼	
13⅞	12	AMC	n .12	.9	10	408	13	12¾	12¾	
3¼	2½	AM	Intl			468	2⅞	2⅝	2⅞	
2⅞	⅝	ATI				14	⅞	13-16	13-16	
71⅜	58	ATTFd	n5.52e	7.9		284	70¼	69¾	70	-¼
7⅞	2⅜	AcmePr				6	3⅞	3⅞	3⅞	
16⅞	9½	AcmeU	.32	3.3	11	94	10⅛	9⅞	9⅞	-¼
16⅞	9⅝	Acton			34	67	13¾	13½	13½	-⅛
9¼	4⅛	Acton				61	4⅞	4⅝	4⅝	
9⅞	7⅞	AdmRs			3	22	7⅞	7⅞	7⅞	-⅛
25½	15⅞	AdRusl	s.14	.6	19	358	24¾	24½	24½	
24¼	15	Adobe	.24	1.5	10	94	16⅞	16⅝	16¼	-⅜
8⅞	4½	Aerono			6	70	7	6¾	7	
50⅞	36⅞	AfilPub	.80	1.8	14	5	45¼	45¼	45¼	
9¼	6	AirExp			10	2	7¼	7¼	7¼	+¼
5¼	2⅞	Alamco			6	12	2⅞	2¼	2¼	-⅛
14	6⅞	AlbaW	.15j		7	53	6¾	6⅝	6¾	
4¾	2	AlliTre				84	2½	2¼	2½	+¼
9¼	6½	Aloha	.48r	6.7	2	1	7⅛	7⅛	7⅛	
22¼	9½	Alphaln	.05	.5	14	190	10⅜	10	10⅜	+⅛
1¼	½	Altex				123	13-16	¾	¾	-1-16
⅞	⅛	Altex	wt			46	⅛	⅛	⅛	
34⅞	28⅝	Alcoa	pf3.75	11.		z100	33⅞	33⅝	33⅝	+⅝
22	11	AlzaCo			48	149	18	17¼	17⅜	-⅝
20¼	9½	Amdahl	.20	1.8	14	1665	11⅜	11	11	-⅜
17	6½	Amedco	.08	1.1		56	7¼	7⅛	7¼	-¼
7¼	4¼	AmBlt	.15	2.1	5	310	7¼	7	7	
9⅝	3⅞	AmCap				10	4⅝	4⅝	4⅝	

Continued on Page 26

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 24

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7⅞	2¼	Varco				91	2⅝	2½	2⅝	+⅛
58½	30¾	Varian	.26	.7	13	929	35⅜	34½	34⅝	-⅞
15⅞	9½	Varo	.40	4.1	7	61	10⅛	9¾	9¾	-¼
26⅞	17¼	Veeco	.32	1.6	14	104	20⅛	19⅞	19⅞	-½
7⅞	4	Vendo				31	4⅛	4	4	-¼
10¼	8¾	VestSe	1.20a	12.		10	10⅝	10⅛	10⅛	-⅜
34⅞	23⅞	Viacom	.42	1.4	11	189	31½	30¾	30¾	-1⅛
71	60½	VaEP	pf8.84	13.		z60	69¼	69¼	69¼	+1⅛
77⅞	68½	VaEP	pf9.75	13.		z70	75¼	75¼	75¼	
61	51¾	VaEP	pf7.45	12.		z100	60	60	60	+1
20⅞	14⅞	Vishay	1.86t	10.	11	15	18½	18⅜	18⅜	
36¾	25¼	Vornad			16	3	35⅛	35	35	
73¾	58	VulcnM	2.44	3.4	10	20	71½	71¼	71½	+¼

Continued on Page 26

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-when distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

WORLD STOCK MARKETS

AUSTRIA

Dec 3	Price Sch%	+ or —
Creditanstalt	226	—1
Goesser	330	+1
Interunfall	394	...
Laenderbank	227	...
Perlmooser	362	—1
Steyr-Daimler	157	...
Veitscher Mag	242	...

BELGIUM/LUXEMBOURG

Dec. 3	Price Frs.	+ or —
B.B.L.	1,850	...
Banq. Int. A. Lux	5,500	...
Bekaert B	4,310	—70
Ciment CBR	2,505	...
Cockerill	282	+6
Delhaize	5,750	...
EBES	2,860	...
Electrobel	8,600	...
Fabrique Nat	2,100	...
GB Inno BM	3,065	—5
GBL (Brux)	2,100	+10
Gevaert	3,600	...
Hoboken	6,050	+20
Intercom	2,190	—10
Kredietbank	7,490	+40
Pan Hldgs	9,900	...
Petrofina	7,050	...
Royale Belge	10,100	...
Soc. Gen. Banq	8,290	+5
Soc. Gen. Belge	1,775	—5
Sofina	7,580	—120
Solvay	4,100	...
Stanwick Intl.	1,430	...
...actionel	3,885	+10
...CB	3,940	+60
...agon Lits	2,380	—5

DENMARK

Dec. 3	Price Kr%	+ or —

GERMANY

Dec. 3	Price Dm.	+ or —
AEG-Telef.	105.5	—0.6
Allianz Vers.	1,035	+3
BASF	176.0	+2.1
Bayer	186.8	—2.0
Bayer-Hypo	327.5	+4
Bayer-Verein	333	..
BHF-Bank	279	—0.5
BMW	372	+1
Brown Boveri	204.9	—0.1
Commerzbank	175.5	+0.9
Cont'l. Gummi	115.7	—1.7
Daimler-Benz	685.5	+10.5
Degussa	359	+0.5
D'sche Babcock	151	+1
Deutsche Bank	384.2	+0.7
Dresdner Bank	190.5	+1
GHH	153	...
Hochtief	469	...
Hoechst	184.6	+1.6
Hoesch Werke	102	+2.3
Holzmann (P)	368.5	—4.5
Horten	185	—0.5
Hussel	289	+2
Karstadt	225.8	...
Kaufhof	234.5	...
KHD	262	+10
Kloeckner	71	+1.7
Linde	387.4	+3.6
Lufthansa	174.8	—0.3
MAN	145.5	—1.5
Mannesmann	146.8	+0.8
Mercedes Hld.	514.8	—12.8
Metallgesell	218	+3
Munech Rueck	1135	—35
Nixdorf	518	—5
Porsche	1030	+16
Preussag	257	+4
Rhein West Elect	166.2	+0.2
Rosenthal	248.5	+1.5
Schering	426	+7.5
Siemens	456.3	+2.3
Thyssen	80.3	+0.5
Varta	176.5	+0.5
Veba	172.6	+1.1

FRANCE

ITALY

NETHERLANDS

NORWAY

Dec. 3	Price Kroner	+ or —
Bergens Bank	160	+4
Borregaard	295	...
Christiania Bank	157.5	+2.5
DenNorske Cred	159	+2
Elkem	115.5	+1.5
Kvaerner	164	—5
Norsk Data	365	...
Norsk Hydro	108.5xa	+4
Storebrand	197.5	...

SPAIN

Dec. 3	Price Pta%	+ or —
Bco Bilbao	315	—4
Bco Central	323	—4
Bco Exterior	200	—1
Bco Hispano	212	—6
Bco Popular	369	—10
Bco Santander	328	—3
Dragados	158	—2
Hidrola	75.7	—0.8
Iberduero	82.2	—1.5
Petroleos	153.7	+1.7
Telefonica	92.7	—0.8

SWEDEN

Dec 3	Price Kronor	+ or —
AGA	340	+5
Alfa-Laval	200	+11
ASEA (Free)	355	...
Astra (Free)	330	+5
Atlas Copco	99.5	...
Cardo (Free)	226	+1
Cellulosa	120	+3
Electrolux B	230	+2
Ericsson	265	—2
Esselte	280	...
Mo Och Domsjo	260	+2
Pharmacia	193	+3
Saab Scania Free	460	...
Sandvik	334	—11
Skandia	312	—8
Skan Enski'da	65.5	...
SKF	167	+2
St Kopparbergs	155	+4
Sven Handlesbn.	187	—1
Swedish Match	249	+1
Volvo B (Free)	219	+2

SWITZERLAND

Dec. 3	Price Frs.	+ or —
Alusuisse	750	...
Bank Leu	3,740	—10
Brown Boveri	1,335	+20
Ciba Geigy	2,460	+5
do. (Part Certs)	1,260	...
Credit Suisse	2,295	...
Elektrowatt	2,490	...
Fischer (Geo.)	610	+10
Hoff-RochePtCts	87,625	+375
Hoff-Roche 1/10	8,775	+25
Jacobs Suchard	6,125	...
Jelmoli	1,890	...
Landis & Gyr	1,490	—10
Nestle	5,335	+5
Oer-Buehrle	1,295	—5
Pirelli	249	+2
Sandoz (Br)	7,250	...
Sandoz (PtCts)	1,135	...
Schindler (PtCts)	640	+5
Sika	1,040	...
Surveillance	3,695	+10
Swissair	1,025	+7
Swiss Bank	356	...
Swiss Reinsce	7,900	+200
Swiss Volksbk	1,460	—5
Union Bank	3,515	+5
Winterthur	3,290	...
Zurich Ins	17,950	+50

AUSTRALIA

Dec. 3	Price Aust $	+ or —
ANZ Group	5.20	...
Alliance Oil Dev.	1.05	+0.15
Ampol Pet	1.8	—0.02
Ashton	0.87	+0.02
Aust Cons Ind.	1.79	—0.01
Aust. Guarantee	2.9	—0.35
Aust. Nat. Inds	2.43	—0.25
Aust. Paper	2.18	—0.02
Bell Group	5.6	+0.1
Bell Res	4.8	+0.05
Bond Corp Hldgs	1.25	...
Boral	3.12	—0.2
Bougainville	1.68	...
Brambles Inds	3.4	—0.12
Bridge Oil	2.20	—0.10
B.H. Prop	6.14	—0.16
CRA	4.96	...
CSR	2.85	—0.01
Carlton Utd	4.30	...
Castlemaine Tys.	4.48	—0.64
Coles (G.J.)	4	—0.14
Comalco "A"	2.25	...
Consolidated Pet	0.6	+0.07
Costain Aust	1.4	+0.05
Dunlop Aust.	1.85	—0.02
Elders IXL	3.2xc	—0.08
Energ Res.	1.45	—0.01

AUSTRALIA (continued)

Dec 3	Price Aust. $	+ or —
Gen Prop Trust	2.2	—0.08
Hardie (James)	3.06	—0.34
Hartogen Energy	2.5	+0.3
Herald W'yTimes	3.42	—0.77
ICI Aust.	2.1	—0.12
Jimberlana F.P.	2.43	—0.04
Kia Ora Gold	0.13	+0.01
Lend Lease	5.6	...
MIM	2.48	—0.07
Mayne Nickless	3.1	—0.12
Myer Emporium	1.7	—0.14
Nat. Aust. Bank	3.47xd	+0.02
News	9.36	+0.06
Nicholas Kiwi	5.1	...
North Bkn Hill	2.2	...
Oakbridge	0.65	—0.11
Pancont'l	1.1	—0.18
Pioneer Conc.	1.62	—0.02
Poseidon	3.35	—0.1
Queensland Coal	1.13	—0.05
Reckitt & Coln.	3.05	+0.1
Repco	1.2	...
Santos	6.02	—0.04
Smith (Howard)	3.4	...
Thos. Natwide	1.77	...
Tooth	6.82	—0.08
Vamgas	3.45	—0.05
Western Mining	3.03	—0.03
Westpac Bank	3.9	—0.16
Woodside Petrol.	1.05	+0.15
Woolworths	2.63	—0.12
Wormald Intl	3.02	—0.07

HONG KONG

Dec. 3	Price H.K.$	+ or —
Bank East Asia	22.9	...
Cheung Kong	9	—0.1
China Light	11.8xa	—0.2
Evergo	1.45	—0.03
Hang Seng Bank	40.5	—0.5
HK Electric	6.4	—0.05
HK Kowloon Wh.	4.65	—0.05
HK Land	3.7	—0.02
HK Shanghai Bk.	7.35	—0.05
HK Telephone	48.25	
Hutchison Wpa	15.7	—0.1
Jardine Math	8.5	—0.1
New World Dev.	4.22	...
Orient O'seas	2.8	...
Oseas Trust Bk.	2.57	...
SHK Props	7.45	—0.05
Shell Elect.	1.67	—0.01
Swire Pac A	20.1	—0.1
TV—B	4.9	—0.05
Wheel'k Mard A.	3.72	—0.03
Wheel'k M'time	1.46	...
World Int. Hldgs.	1.52	+0.01

JAPAN

Dec. 3	Price Yen	+ or —
Ajinomoto	1,110	—10
Alps Electric	1,950	—10
Amada	1,110	+30
Asahi Chem	645	—25
Asahi Glass	880	+18
Bridgestone	650	+7
Canon	1,640	+20
Casio Comp.	1,620	+60
Chugai Pharm	1,090	+10
Citizen	566	+1
Daiei	630	...
Dai Nippon Ptg	1,010	+10
Daiwa House	575	—18
Ebara	347	+2
Eisai	1,140	+40
Fanuc	11,230	—130
Fuji Bank	1,350	+30
Fuji Film	1,530	—10
Fujisawa	990	+18
Fujitsu	1,380	+30
Green Cross	1,640	+70
Hasegawa	359	...
Heiwa Real Est	683	+7
Hitachi	858	+16
Hitachi Credit	1,070	—10
Honda	1,190	+30
House Food	710	—5
Hoya	2,440	+60
Itoh (C)	292	—2
Ito. Yokado	2,510	—10
Iwatsu	1,360	...
JACCS	317	—2
JAL	5,500	—150
Jusco	744	—1
Kajima	272	+2
Kao Soap	781	+4
Kashiyama	620	—3
Kirin	522	+10
Kokuyo	918	—2
Komatsu	417	—5
Konishiroku	570	+5
Kubota	321	+1
Kumagai	440	—5
Kyoto Ceramic	7,220	+70
Maeda Const	470	+2
Makino Milling	1,220	—30
Makita	1,000	—10
Marubeni	300	—2
Marudai	640	+5
Marui	1,070	...
MEI	1,420	+30
M'ta Elec Works	620	—3
M'bishi Bank	1,190	+20
M'bishi	515	—2
M'bishi Elec	405	...
M'bishi Estate	520	—3

JAPAN (continued)

Dec. 3	Price Yen	+ or —
MHI	248	+7
Mitsui Co	341	—7
Mitsui Estate	694	—2
Mitsukoshi	346	—1
NGK Insulators	991	+26
Nihon Cement	214	—6
Nippon Denso	1,420	+30
Nippon Elect	1,250	—10
Nippon Express	358	+2
Nippon Gakki	1,580	+90
Nippon Kokan	137	—1
Nippon Oil	889	+6
Nippon Seiko	727	+27
Nippon Shimpan	650	...
Nippon Steel	148	...
Nippon Suisan	327	—6
NTV	12,980	—30
Nippon Yusen	243	+4
Nissan Motor	603	—5
Nisshin Flour	515	—5
Nisshin Steel	167	+4
Nomura	815	+19
Olympus	1,130	+20
Orient Leasing	3,450	+100
Pioneer	2,500	+10
Renown	646	+1
Ricoh	956	+1
Sankyo	884	...
Sanyo Elect.	462	+3
Sapporo	393	—2
Sekisui Prefab	588	—2
Seven-Eleven	9,140	...
Sharp	1,060	+40
Shimadzu	900	+45
Shionogi	671	—10
Shiseido	1,150	+10
Sony	3,610	—30
Stanley	925	—5
S'tomo Bank	1,620	+50
S'tomo Elect.	990	+25
S'tomo Marine	678	+38
S'tomo Metal	148	...
Taihei Dengyo	473	—13
Taisei Corp	200	—1
Taisho Pharm	930	—6
Takeda	762	+2
TDK	4,870	...
Teijin	433	+5
Teikoku	665	+5
Tokyo Marine	726	+18
TBS	811	+11
Tokyo Elect Pwr	1,340	—10
Tokyo Gas	165	+3
Tokyo Sanyo	681	—8
Tokyo Style	705	...
Tokyu Corp	298	—5
Toppan Print	910	+10
Toray	420	+7
Toshiba Elect.	416	—2
TOTO	625	...
Toyo Seikan	820	—9
Toyota Motor	1,220	...
Victor	1,900	+40
Wacoal	730	—10
Yamaha	625	...
Yamanouchi	1,920	+70
Yamazaki	725	+1
Yasuda Fire	374	+6
Yokogawa Bdge.	425	...

SINGAPORE

Dec. 3	Price $	+ or —
Boustead Hldgs.	1.78	—0.12
Cold Storage	2.74	—0.09
DBS	5.8xa	—0.05
Genting	4.8	—0.00
Haw Par. Bros.	2.03	+0.01
Hong Leong Fin.	3.0	...
Inchcape Bhd.	2.35	—0.05
Keppel Shipyard	1.65	—0.03
Malay Banking	5.6	—0.1
Malay Utd. Ind.	2.24	—0.05
Multi Purpose	0.93	...
OCBC	8.85	—0.1
OUB	4.02	—0.1
Public Bank	1.67	—0.02
Sime Darby	1.82	—0.1
Straits Trdg	4.66	—0.26
Tat Lee Bk.	2.9	—0.02
UOB	4.3	...

SOUTH AFRICA

Dec. 3	Price Rand	+ or —
Abercom	1.45	...
AE&CI	8.0	...
Anglo Am Coal	41.5	+0.5
Anglo Am Corp	24	—0.25
Anglo Am Gold	170	...
Barclays Bank	18.5	—0.25
Barlow Rand	11.45	—0.05
Buffels	78.5	...
CNA Gallo	2.65	+0.05
Currie Finance	4.4	...
De Beers	8.25	...
Driefontein	52.25	...
FS Geduld	51.5	—0.75
Gold Fields SA	28.6	...
Highveld Steel	4.4	...
Nedbank	13.1	...
OK Bazaars	15.35	...
Protea Hldgs.	1.85	+0.05
Rembrandt	32.0	...
Rennies	14	...
Rust Plat	16.15	—0.05
Sage Hldgs.	7.15	...
SA Brews	7.0	+0.1
Smith (CG)	23.0	...
Tongaat Hulett	7.9	—0.1
Unisec	4.8	...

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices December 3

MONTREAL

Closing prices December 3

OVER-THE-COUNTER

Nasdaq national market, closing prices

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES		
Argyll Group	230	+5
Body Shop	470	+50
Bromsgrove	77	+5
Cable & W'less	440	+20
Coin Inds.	53	+8
Enterprise Oil	194	+7
GEC	230	+6
Hawker Siddeley	403	+8
Instem	203	+18
Johnson Matt	73	+5
Kwik Save	176	+6
Media Tech.	178	+9
Medminster	112	+8
Midland Bank	357	+15
NatWest Bank	575	+17
Osceola Hydro	75	+10
Plessey	214	+8
Polly Peck	240	+7
Sainsbury	296	+6
Scapa Group	414	+14
Stock Conv	410	+7
Telecomputing	375	+45
Trafalgar Hse.	320	+8
Volex	140	+7
Wight Collins	298	+35
Woodhead (J)	38	+6

FALLS		
Bath & Portland	278	—14
Oliver Prosp.	190	—15
Vinten	200	—28
Zygal Dynamics	50	—25

Continued on Page 34

NEW YORK CLOSING PRICES

Continued from Page 25

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 25

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

TORONTO

New York Active Stocks

LONDON STOCK EXCHANGE

MARKET REPORT

British Telecom fetch large premium over issue price in first-time dealings

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Nov 26	Dec 6	Dec 7	Dec 17
Dec 10	Dec 20	Dec 21	Jan 7
Dec 24	Jan 10	Jan 11	Jan 21

* " New-time " dealings may take place from 9.30 am two business days earlier.

The debut of British Telecom was highly successful, more so than the many followers of the mammoth issue had dared to hope for. From the floor of the London Stock Exchange a battery of Press and TV photographers unprecedently recorded the opening scenes and witnessed BT shares trading at a level which seemed very unlikely only last Friday.

Owing largely to the basis of allocating shares, estimates of the premium over the issue price were raised throughout the session. At 3.00 pm. the shares began life at 95p-97p in their partly-paid form of 50p. for a premium of 46p against Friday's forecast of 20p premium.

The huge crowds surrounding colourfully decorated dealers' pitches hurried away to report the news to their offices and business initially was a shade disappointing. Activity broadened in the extended trade, however, and late in the evening BT shares were fetching 93p. after extremes of 97p and 92p. Orders were then becoming more evenly balanced with domestic and overseas investors extremely active. The combined turnover of all eight jobbers may well have approached 1bn shares.

Leading equities were lifted amid an air of expectancy. The volume of business was moderate, although several Electricals responded well, and tailed off to meagre levels prior to the start of BT. Measuring the day's improvement, the FT Ordinary share index held a late-morning gain of around 7 to 8 points to close 7.6 up on the session at 924.9. From today, British Teelcom and NatWest become constituents of the index.

Government securities were overshadowed by the events elsewhere and finally recorded small mixed changes. In the wake of yet another disappointing performance by sterling against the dollar, longer-dated Gilts had recorded early losses of ¼ but these were later regained.

Midland advance

Reports that Argentina was close to a rescheduling deal with its leading commercial bank creditors and vague rumours of a British Petroleum bid for Midland, helped the major clearers rally from recent dullness. Midland, which last week sparked off increased competition fears with its plans for free banking facilities to customers, stood around 8 higher when the BP suggestions induced renewed demand to leave a close of 357p, up 15 on balance. NatWest, additionally boosted by Press comment, finished 17 to the good at 575p, while Barclays, 525p, and Lloyds, 515p, added 8 apiece.

PWS International became an erratic market in quiet Insurances, dropping from an enhanced opening level of 385p to 360p, on news of the Bermudan underwriting losses before rallying strongly late to close at 380p.

Among recently - issued equities, Instem moved up 18 to 203p following a newsletter recommendation, while Media Technology continued to attract buyers and gained 9 more to 178p in a restricted market.

In a quietly firm Building sector, Blue Circle edged up 3 to 478p and Tarmac hardened a couple of pence to 516p. BPB Industries, a dull counter last week following disappointing half-year results, rallied 2 to 272p. Elsewhere, Marshalls (Halifax) were quoted ex-rights and the close was 4 higher at 217p; the new nil paid shares opened at 26p premium and moved up to 32p premium. Brownlee added 3 to 63p following the interim figures, while James Latham gained 12 to 265p in a restricted market.

ICI were a neglected market, but improved a couple of pence to 680p, after 682p, on currency influences. Among other Chemicals, Laporte found support and rose 5 to 374p, while Yorkshire firmed 2 to 62p. Increased half-year profits helped Leigh Interests rise 3 to 111p.

Sumrie volatile

Leading Stores regained a certain amount of composure, sentiment being aided by a bullish review from the Henley Centre for Forecasting. Burton added a couple of pence to 387p, while Habitat Mothercare, dull since the relatively disappointing interim results were released last Thursday, also hardened a few pence to 366p. Dealings in both Currys and Dixons were suspended at the outset at 527p and 427p respectively, pending the High Court's clarification of the current takeover imbroglio; a decision is expected today. A couple of noteworthy features emerged among otherwise listless secondary Stores. Body Shop International responded to revived bid speculation with a leap of 50 to 470p, albeit in an extremely narrow market; market sources suggest BAT Industries as a likely suitor. Sumrie Clothes were particularly volatile; down to 78p in initial trading following cautious weekend comment, the price advanced to 100p on news that Inter-Channel Pharmaceuticals, rumoured to be part of the Asil Nadir stable, had taken a 15.52 per cent stake and the announcement that Mr Michael Harvey Rose had increased his holding to 9 per cent. Sumrie later succumbed to profit-taking however, and reverted to unchanged at 85p. Press comment also stimulated Alfred Preedy, 2 up at 118p, and Steinberg, 4 higher at 80p. J. Hepworth added 7 more to 440p, and John Menzies, after announcing the sale of its financial leasing subsidiary, hardened a couple of pence to 220p.

Cable and Wireless, caught up in the overwhelming success of the British Telecom issue and last week's excellent interim results, advanced strongly to close the day 20 higher at a new high for the year of 440p; the shares stood at 353p when the BT prospectus was issued on November 16. Other leading Electricals fared well with Plessey 8 higher at 214p on reports that the group is on the verge of winning a £4bn tactical radio equipment order from the U.S. Government. GEC, awaiting today's interim results, rose 6 to 230p, while Thorn EMI improved a few pence to 488p, after 490p, with sentiment here helped by details of a £15m U.S. army contract. Elsewhere, Telecomputing, recently favoured following Press comment, jumped 45 afresh to 375p on talk of a brokers' lunch. Volex put on 7 more to 140p in response to an investment recommendation. Zygal Dynamics, on the other hand, plummeted 25 to 50p after adverse comment.

Hawker closed 8 better at 403p among quietly firm Engineering leaders. TI hardened 2 to 240p as did Vickers to 202p. Elsewhere, John Brown improved a penny to 27p ahead of tomorrow's interim results, while Delta firmed 2½ to 96½p on further consideration of the agreed sale of its Deltaflow subsidiary for approximately £4.5m cash. Birmingham Mint put on 8 to 233p and Bromsgrove Casting gained 5 to 77p. Dealings in Danks Gowerton were suspended at 10p, pending clarification of the company's position.

Food Retailers continued to attract buyers in the run-up to Christmas. J. Sainsbury firmed 6 to 296p, while Kwik Save gained the same amount to 176p. Dee Corporation improved 4 to 203p and Argyll rose 5 to 230p, the latter awaiting today's interim results. Elsewhere, Press comment helped bid favourite Rowntree Mackintosh firm 4 to 364p, but sporadic offerings in front of today's annual results clipped a penny from Ranks Hovis McDougall at 113p. S. and W. Berisford revived and rose 5 to 184p, while Associated British Foods added 4 to 200p.

Numerous features emerged in miscellaneous industrials despite the counter-attraction of British Telecom. Vinten dropped 26 to 200p on news of the nearly-halved interim profits, while Bath and Portland reflected a newspaper's "sell" recommendation with a decline of 14 to 270p, after 268p. Klecn-e-Ze cheapened 7 to 108p on the half-year figures, while Cape Industries softened 3 to 55p awaiting today's first-half results. Scapa continued to reflect the recent excellent results with a fresh rise of 14 to 414p, after 420p, while Trafalgar House improved 8 to 320p following comment in front of today's preliminary results. The recently beleagured Johnson Mathey revived with a Press-inspired improvement of 5 at 73p, while others to draw strength from Press comment included Polly Peck, 7 higher at 240p, Biddle, 5 better at 147p and Spring Ram, 10 dearer at 175p. Coil Industries rose 8 to 53p. The leaders traded quietly, but to higher levels. Beecham put on 5 more to 382p, after 385p, and BOC gained 4 at 257p; the latter's results are scheduled for Thursday. Boots improved 6 to 191p.

Among Leisure issues, Medminster continued to attract support in the wake of favourable Press comment and gained 6 to 112p. Newspaper mention also stimulated Television Services, up 5 at 130p, while suggestions that the company may be up for sale left A. and M. Hire a penny firmer at 17½p.

Motor Components attracted sporadic support and closed a shade firmer for choice. Press comment lifted Automotive Products a couple of pence to 68p, after 69p, while Dunlop added a similar amount to 26p on details of the financial reconstruction, expected later this month. Jonas Woodhead returned to favour with a gain of 6 at 38p; the interim results are scheduled for Friday.

Advertising agencies and related counters attracted a fair measure of attention. Saatchi and Saatchi advanced 10 more to 910p following weekend Press comment highlighting the likelihood of a scrip issue. Buyers also showed enthusiasm for Wight Collins Rutherford Scott, 35 higher at 298p. USM-quoted Valin Pollen firmed 5 to 323p. Revided takeover speculation lifted DRG a few pence to 156p, but adverse mention clipped 5 from British Printing and Communication, at 171p. East Lancashire Paper eased 2 more to 102p on disappointment with the latest and final offer from British Syphon, unchanged at 84p.

The Property leaders attracted selective buying. Land Securities firmed 4 to 304p, as did MEPC, to 326p. Stock Conversion, a strong market last week on bid speculation, drew fresh support and rose 7 to 410p. Elsewhere, Press comment stimulated Regalian, up 4 at 82p, while demand in a limited market lifted Estates and Agency 7 to 145p. Cardiff Property gained 8 to 160p in response to increased annual profits and news that planning permission had been granted for a major retail scheme in Kings Heath.

Oils firmer

A more encouraging trend on spot oil markets gave a fillip to the leading Oils which made progress for much of the day. A minor bout of profit-taking in mid-afternoon was quickly shrugged aside and BP closed 3 up at 503p. Shell edged up 5 to 645p, after 648p, while Enterprise Oil were a firm market and touched 197p prior to closing 7 higher on balance at 194p. Britoil were supported and posted a 5 rise at 232p.

Irish issues provided a firm feature in Oceola Hydrocarbons which jumped 10 to 75p in a thin market. Elsewhere, Southwest Resources were virtually unchanged at 65p despite the sharply higher interim profits.

Quiet mines

The excitement generated by the Telecom issue left mining markets very much a backwater. South African Gold shares opened marginally easier, depressed by the half-per-cent fall in the bullion price, but subsequently edged higher throughout the session boosted by the rally in gold and a poor showing by sterling against the dollar. Buying interest remained at a low level, but was sufficient to produce a 6.5 rise to 550.8 in the Gold Mines index which registered its first improvement in five trading days.

Bullion initially fell away to $327.70, but rallied to close a net $1.25 firmer at $330.5 an ounce.

The latest batch of December dividends, those of the gold mines in the Gencor group, were not known during market hours. Leading heavyweights were highlighted by Southvaal which put on £1½ to £38¼ and Randfontein, almost a point better at £93⅞, while gains in the region of a half-point were common to Winkelhaak, £32½, Buffels, £35¼ and President Steyn, £32¼.

London-domiciled Financials drew strength from the wide-spread gains in UK equities with Rio Tinto-Zinc 10 higher at 610p. Consolidated Gold Fields picked up in line with the gold price and closed 5 harder at 492p. Charter were little changed at 192p.

London dealers in Australians regarded the response of Sydney and Melbourne markets to the Federal election result as a disappointment and marked prices lower at the outset. Little business developed and prices drifted easier further. In the leading group, CRA settled 8 cheaper at 254p while MIM Holdings and Western Mining dipped 6 apiece at 176p and 215p respectively.

Elsewhere, Cornish tin producer Geevor advanced a couple of pence to a 1984 high of 215p in front of the interim results expected later today.

Activity in Traded Options proved to be relatively light as operators appeared to be saving funds for today's onset of business in British Telecom. Total contracts struck amounted to 3,374, over half of which were transacted in the FT-SE 100 which attracted 962 calls and 785 puts.

FINANCIAL TIMES STOCK INDICES

	Dec. 3	Nov. 30	Nov. 29	Nov. 28	Nov. 27	Nov. 26	year ago
Government Secs.	83.19	83.00	83.12	82.96	83.00	83.06	82.98
Fixed Interest	86.11	86.11	86.22	86.16	86.05	86.08	86.16
Ordinary	924.9	917.3	925.8	929.2	925.3	922.1	742.0
Gold Mines	550.8	544.3	550.0	550.9	559.8	576.8	579.5
Ord. Div. Yield	4.60	4.63	4.60	4.60	4.61	4.63	4.69
Earnings, Yld.% (full)	11.16	11.25	11.17	11.17	11.23	11.28	9.66
P/E Ratio (net) (*)	10.69	10.63	10.70	10.71	10.65	10.60	12.62
Total bargains (Est.)	—	20,043	20,114	20,642	17,461	19,918	20,005
Equity turnover £m.	—	276.04	316.57	556.20	295.63	271.90	227.10
Equity bargains	—	15,165	16,782	16,560	15,221	14,883	18,749
Shares traded (mln)	—	145.7	155.1	191.6	164.2	153.9	140.6

10 am 923.0. 11 am 924.3. Noon 925.3. 1 pm 924.1. 2 pm 924.5. 3 pm 924.5.

Basis 100 Govt Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index: 01-246 8026.

* Nil = 10.28.

HIGHS AND LOWS

—	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	83.77 (9/1)	75.72 (30/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3)	80.43 (30/7)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	929.2 (28/11)	755.3 (23/7)	929.2 (28/11/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/3)	485.7 (1/8)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Nov. 30	Nov. 29
Daily Gilt Edged Bargains	128.5	134.0
Equities Bargains	98.3	108.7
Equities Value	557.9	639.9
5-day Average Gilt Edged Bargains	139.1	141.3
Equities Bargains	101.9	106.4
Equities Value	613.0	61.80

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (103)

BRITISH FUNDS (6)
INT. BK. & O'SEAS GOVT. STLG. ISS. (1)
LOAN (1)
AMERICANS (3)
BANKS (1)
BREWERS (1)
BUILDINGS (2)
CHEMICALS (5)
STORES (3)
ELECTRICALS (6)
ENGINEERING (3)
FOODS (4)
HOTELS (2)
INDUSTRIALS (18)
INSURANCE (2)
MOTORS (1)
NEWSPAPERS (3)
PAPER (6)
PROPERTY (6)
SHIPPING (1)
TEXTILES (1)
TOBACCOS (1)
TRUSTS (22)
MINES (2)

NEW LOWS (10)

STORES (2)
Castle (G. B.) Ladies Pride
ELECTRICALS (2)
CPU Computers Zygal Dynamics
INDUSTRIALS (4)
Bruntons (Mussl.) Rolfe & Nolan
Centreway Ind. Vinten
MOTORS (1)
Plaxtons (G. B.)
MINES (1)
HMC Australia

Dewhurst Dent

Taxable profit at Dewhurst Dent, a subsidiary of Deemview Securities, was £26,000, against £11,000, for the half year to January 19 1984.

The directors say that despite an increase in sales from £6.64m to £7.67m, trading has continued to be difficult for this converter, printer, dyer and finisher. Trading profits came out at £170,000 (£103,000).

Depreciation accounted for £145,000 (£127,000) and there was a £35,000 profit last time on the sale of property. There was no tax charge (same). Earnings per share are stated at 0.25p (0.11p)—the group has "close" status.

The directors state that the textile and paper printing departments have continued to operate at a loss and have been closed since the July year end. This will result in a substantial reduction in the group's assets.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 3	Dec 14	Mar 7	Mar 18
Dec 17	Jan 4	Mar 21	Apr 1
Jan 7	Jan 18	Apr 11	Apr 22

For rate indications see end of Share Information Service

Call options were taken out in North Kalgurli, Sound Diffusion, Churchill Energy, Johnson Matthey and Premier Oil. A put was done in George Wimpey. No doubles were reported.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Bath and Portland	270	−14
BP	503	+3
British Telecom	93	—
Cable and Wireless	440	+20
Enterprise Oil	194	+7
GEC	230	+6
ICI	680	+2
Midland Bank	357	+15
Plessey	214	+8
Sumrie Clothes	85	—
Trafalgar House	320	+8
Vinten	200	−26

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	25	13	66
Corpns. Dom. & Foreign Bonds	6	11	56
Industrials	369	191	860
Financial & Props.	139	65	337
Oils	20	26	77
Plantations	3	3	11
Mines	56	35	87
Others	89	30	78
Totals	706	378	1,571

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 11,605

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Dec. 3. Total Contracts 3,374. Calls 2,098. Puts 1,276.
* Underlying security price.

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully-paid. ∥ Introduction. ◆ Unlisted Securities Market. ‡ Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Units comprising four ordinary and one new 6% per cent Cnv.Red. Pf. 1989.

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p. A 10p rise in British Telecom above the issue price, will effect the All Share Index by 0.33pc.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102¼	101⅛	Treas. 15pc 1985	101⅛	+⅛	14.85	9.51
102¼	100	Exch. 12pc Cnv. '85	100⅝	...	11.93	9.76
97⅛	93⅞	Treas 3pc 1985	97	...	3.09	9.83
102⅝	99½	Treas 11½pc 1985	100⅞	...	11.39	9.75
99⅝	96⅛	Treas 8¾pcCnv '85	99⅛	...	8.82	9.83
104⅛	99¾	Exch. 12¼pc 1985	102⅛	–⅛	11.99	9.84
103⅞	99⅛	Exch. 11¼pc '86	101⅞		11.53	9.93
102⅛	96⅛	Treas. 10pcCnv 1986	100⅛	+⅛	9.99	9.87
93⅛	88⅝	Treas 3pc 1986	93⅛	+⅛	3.22	8.16
102	96¾	Exch. 10½pc Cv '86	100¼	...	10.42	9.95
104⅛	99⅛	Treas 12pc 1986	102¾xd	...	11.68	10.02
98⅝	93½	Treas 8½pc 1984-86‡‡	97⅞	...	8.69	9.99
108⅞	102⅛	Exch. 14pc 1986	106⅛	...	13.15	10.16
88⅞	85	Exch. 2½pc 1986	88⅞xd	+⅛	2.81	8.84
107⅞	100⅞	Exch. 13¼pc 1987	105⅞	–⅛	12.54	10.29
100⅞	94½	Treas 10¼pcCv '87	99¾	...	10.28	10.32
87⅝	83⅝	Exch 2½pc 1987	87⅝	+⅛	2.85	8.72
101⅛	94½	Exch. 10½pc 1987	100¼	–⅛	10.47	10.35
92⅞	87	Funding 6½pc '85-87‡‡	92⅝	+⅛	7.03	10.02
99⅝	92⅞	Treas. 10pc 1987	99⅛xd	–⅛	10.08	10.38
86⅛	81⅞	Treas 3pc 1987	86⅛	+⅛	3.49	9.13
105	97¼	Treas. 12pc 1987	103⅝	...	11.58	10.51
94⅝	87⅞	Treas 7¾pc 1985-88‡‡	93¼	–⅛	8.31	10.29
100¼	92⅞	Exch 10½pc '88	99⅞	–⅛	10.51	10.55
98⅛	89⅞	Treas 9¾pc Cv '88	97⅞xd	+⅛	9.99	10.60
82	77	Transport 3pc '78-88	81⅞xd	+⅛	3.66	9.04
96⅞	88⅛	Treas. 9½pc '88	96⅛	–⅛	9.89	10.74
106¼	94⅞	Treas 11½pc 1989	102⅛	–⅛	11.26	10.83

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP AND LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
280	145	Falcon Z50c	150		Q100c	ϕ	38.9
17	8	Wankie Col. Z$1	9½		—	—	—
21	14	Zam Cpr SBD0.24	14½		—	—	—

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	86		Arnott	150	
Craig & Rose £1	£11¾		CPI Hldgs	52½	+3½
Finlay Pkg. 5p	42		Carrol Inds	120	+1
Higsons Brew	85xd		Dublin Gas	65	
Holt (Jos) 25p	890		Hall (R. & H.)	40	
IoM Stm £1	107		Heiton Hldgs.	15½	
IRISH			Irish Ropes	35	
Exch. 12% 1985	£98¼		Jacob (W.& R.)	65	
Nat. 9½% 84/89	£82½		TMG	67	
Fin 13% 97/02	£95⅞		Unidare	80	

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	15	Hanson Tst.	22	Vickers	18
BAT	30	Hawker Sidd	38	Woolworth Hldg	50
BOC Grp	24	Hse of Fraser	28		
BSR	15	ICI	50	**Property**	
Babcock	13	'Imps'	14	Brit Land	14
Barclays Bank	42	Jaguar	18	Cap Counties	18
Beecham	30	Ladbroke	28	Land Secs	24
Blue Circle	46	Legal & Gen	42	MEPC	30
Boots	18	Lex Service	32	Peachey	24
Bowaters	16	Lloyds Bank	42	Samuel Props	14
Brit Aerospace	34	Lucas Inds	24	Sterling Guar.	5½
Brit Telecom	5½	Marks & Spcr	10		
Brown (J.)	3	Midland Bk	33	**Oils**	
Burton Ord	32	NEI	9		
Cadburys	14	Nat West Bk	54	Brit. Oil & Min	4½
Comm Union	15	P & O Dfd.	24	Brit Petroleum	38
Courtaulds	11	Plessey	20	Burmah Oil	19
Debenhams	19	Polly Peck	10	Charterhall	6
Distillers	24	Racal Elect	24	Premier	6
Dunlop	5	RHM	12	Shell	55
FNFC	7	Rank Org Ord	24	Tricentrol	22
Gen Accident	42	Reed Intnl	50	Ultramar	22
Gen Electric	20	Sears	7		
Glaxo	90	TI	18	**Mines**	
Grand Met	26	Tesco	8		
GUS 'A'	55	Thorn EMI	42	Charter Cons	21
Guardian	58	Trust Houses	12	Cons Gold	42
GKN	16	Turner Newall	9	Lonrho	14
		Unilever	80	Rio T Zinc	60

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 27

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Bridge Fund Managers (a)(c)
Regis House, King William St, EC4. 01-623 4951

Amer. Gen. Inc.†	56.4	63.3	.....	0.45
Do. Acc†	56.6	63.5	.....	0.45
Income*	91.7	101.9	.....	5.47
Capital Inc.‡	97.1	104.5	.....	2.07
Do. Acc.‡	123.7	133.1	.....	2.07
Exempt‡	223.0	240.0	.....	2.85
Intl. Recovery Inc.‡	35.5	38.2	.....	1.19
Do. Acc.‡	46.5	50.1	.....	1.19

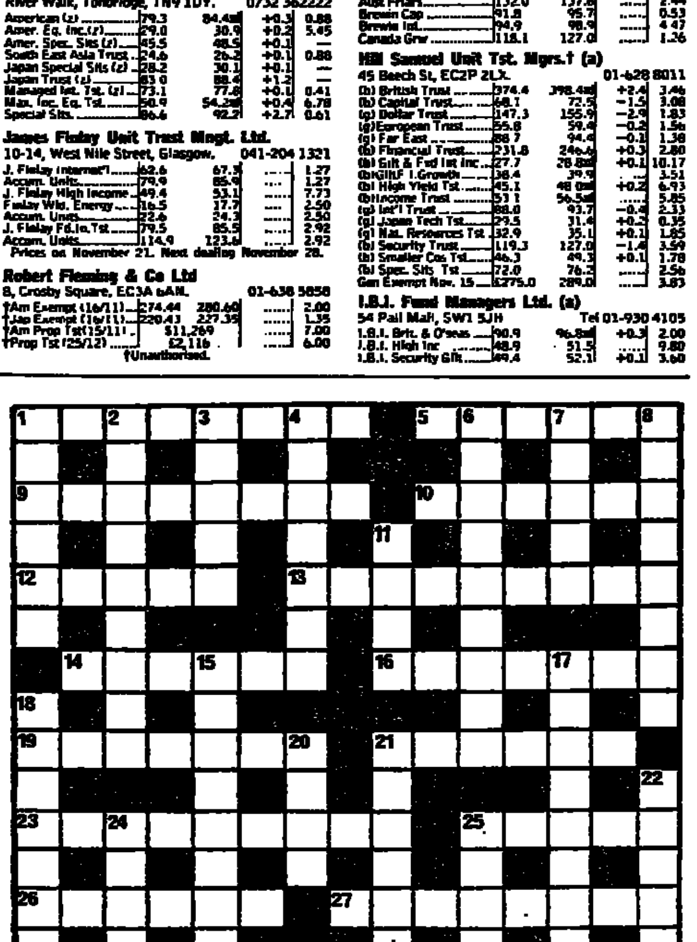
Dealing *Tues. ‡Wed. †Thur. Prices November 27/28/29.

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)
Salisbury House, 31, Finsbury Circus, London EC2
01-588 2777 Dealing: 01-638 0478/0479
Britannia Viewpoint 01-341 5656

UK Specialist Funds				
Growth Gilt Trust	51.0	51.8	+0.1	1.34
Recovery	70.9	75.6	+0.2	3.32
Smaller Cos.	100.9	107.6	−0.1	1.72
Spec. Mkt. Sits.	67.4	71.9	+0.4	3.02
High Income Funds				
Extra Inc.	48.5	51.7	+0.18	8.52
Gilt	26.7	28.1	−0.1	9.50
Inc & Growth	135.5	144.5	+0.7	5.35
Nat. High Inc.	133.9	142.8	+0.7	6.46
Pref. Shares	17.6	18.8	+0.1	11.00
Sector Specialist Funds				
Commodity Shares	139.1	148.4	.....	2.65
Financial Secs.	32.0	34.1	+0.2	2.91
Gold & General	24.2	26.1	+0.7	2.78
Intl. Leisure Mkt.	10.4	11.1	.....	—
Prop. Shares	38.0	40.5	+0.1	1.59
Univ. Energy	68.6	73.2	−0.1	0.41
World Tech	44.7	47.7	+0.4	—
Overseas Funds				
American Growth	77.4	82.6	+0.4	2.58
American Income	48.8	52.1	+0.2	6.24
Am. Smaller Cos.	20.8	22.2	−0.3	0.47
Am Spec. Sits.	67.1	71.6	−0.3	0.88
Australian Growth	82.3	87.8	−0.6	1.55
Far East	38.9	41.5	+0.3	0.60
Hong Kg. Performce.	20.8	22.2	.....	2.97
Intl. Growth†	25.7	27.4	.....	2.74
Japan Perf Trust	38.8	41.4	+0.4	—
Japan Smllr Co's Tst.	12.2	13.0	+0.2	—

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,586



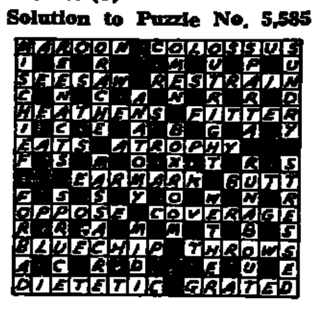
ACROSS

1 County drunkard swallows half county (8)
5 County placed next door (almost) (6)
9 County animal returns food in right hand (8)
10 A teetotal American general for Premier (6)
12 Banish from French island (5)
13 Up. 11's folded in covers (9)
14 Cymru's leader in his party is calm (6)
16 Digital base which seems hard for the rest (4-3)
19 County and not people (7)
21 Victory by four points in the snow? (6)
23 Recluse outside the Morning Post office is a satirist (9)
25 To which county was Bess extremely partial? (5)
26 County and a half during food (6)
27 Oriental left out of stimulus in love (8)
28 County or counties—law, male or female? (6)
29 Peel leader with short hair (8)

DOWN

1 County carriage (6)
2 Comedian making ten thousand francs in a month? (3,6)
3 Way out and about outside (5)
4 Intellectual resembling 29 across? (7)
6 One colt spoiled by his king makes a large number (9)
7 County formerly put girl to work (5)
8 County for golf and billiards? (4-4)
11 County with a German prefix (4)
15 Companion backed engine and consumed food and drink (9)
17 County needs new kerbs on lease (9)
18 Contains, in these, about one old penny (8)
20 County known to the Scots (4)
21 County fighting burner (7)
22 County of about 10 or 500 (6)
24 Sir Thomas's manners (5)
25 Return of simple French town (5)

Solution to Puzzle No. 5,585



INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Midland Bank Tst Corp (Jersey) Ltd
28-34, Hill St. St Helier, Jersey. 0534 72156

MdBkOsGl	105.8	106.2	....	11.30
MdBkIntBd	$1.06	1.08	....	7.41

Minerals Oils Res Shrs Fd Inc
PO Box 194, St Helier, Jersey. 0534 27441

MoresN21	$11.22	11.56	....	3.46

Samuel Montagu Ldn Agents
114, Old Broad St. EC2. 01-626 3434

MrAmEq(n(z)	98.0	103.0	+0.2	5.60
MrJapln(z)	69.6	73.1	−0.4	4.28
MontGitInc(z)	50.2	52.9	−0.1	10.15
MIStNov27	£15.10	15.11	....	9.74
MtInCNv28	$8.28	9.75	....	—
ApNv27	SF103.95	112.80	....	1.37
JpNv15	HK$43.50	47.08	....	0.16
117GpOct31	17.95	19.31	....	1.34
MFPNF21	$10.15	10.17xd	....	—
US FIFNv6	$11.22	11.82	+0.10	—

Murray Johnstone (Inv Adviser)
163, Hope St, Glasgow, C2. 041-221 5521

HprStDecA	$66.47	71.20	+0.24	—
MurFdN29	$19.11	20.35	....	—
PacFdNov21	$4.12	4.41	....	—

NEL International Ltd
PO Box 119, St Peter Port, Guernsey, Cl.

SterlingDep	77.3	81.4	....	—
SterlFxdInt	89.0	93.7	....	—
SterlingMan	95.5	103.8	....	—
IntFxdMan	104.8	113.9	....	—
Int Managd	104.2	113.2	....	—

Nat Westminster Jersey Fd Mgrs Ltd
23,25 Broad St, St Helier, Jersey. 0534 70041

HnInFd(a)(b)	54.8	57.0	....	10.53
EqtyFd(a)(b)	101.6	108.0	+1.0	2.07
IntBdFd(a)*	80.6	83.0	....	6.67

*Sub day every Thurs.

County Bank Currency Fund(z)

Dollar Class	$23.0783	+0.0045	—
Sterling Class	£11.4321	+0.0024	—
D-Mark Cl	DM52.5079	+0.0082	—
DutchGldrCl	DFl53.4733	+0.0059	—
Jap Yen Cl	Y5,426.5476	+0.8034	—

Negit SA
10a Boulevard Royal, Luxembourg.

NAV	$9.20	+0.03	—

Newport International Management
Bank of Bermuda Bldg, Bermuda 809 295 4000

Npt Int Sec	$15.64	—	+0.03	—
Npt Int Inc	$13.60	—	+0.09	—
Npt Pacific	$12.72	—	−0.01	—

Norcap Fund Managers (Bermuda) Ltd
Bank of Bermuda Bldg, Bermuda 809 295 4000

Amer Trust	$7.94	8.25	....	—

Normandy Trust Managers Ltd
29, Athol St Douglas IoM. 0624 29696

NdvMt	£0.9672	1.0182	....	2.00
NdvCT	£1.2327	1.2977	....	2.00
CbrCrG	£0.7651	0.8054	....	2.00

Northgate Unit Tst Mngrs (Jersey) Ltd
PO Box 82 St Helier, Jersey. 0534 73741

PacFdNov28	11.78	12.68	....	—

Pacific Basin Fund
10a Boulevard Royal, Luxembourg

NAV	$15.80	−0.15	—

Inv. Adv., M & G Inv. Mngt. Ltd., London.

Perpetual UT Mngrs (Jersey) Ltd
PO Box 459, St Helier, Jersey. 0534 74517

OffsnrGrw	$1.115	1.185	....	1.00

Phoenix International
PO Box 77, St Peter Port, Guernsey. 0481 23539

IntDollarFd	$4.10	4.42	....	—
Far East Fd	$3.45	3.72	....	—
IntCurvFd	$1.75	1.89	....	—
DlrFxdIntFd	$4.11	4.43	....	—
StgExGtFd	£2.56	2.76	....	—

Providence Capitol International Ltd
PO Box 121, St Peter Port, Guernsey. 0481 26726 9

£UK FxdInt	162.4	174.7	....	—
£UKStkMkt	167.9	180.6	....	—
£S Md Fd	149.3	160.6	....	—
£SpcMkFd	95.6	102.9	....	—
$IntStkMkt	91.2	98.2	....	—
$IntFxdInt	122.5	131.8	....	—
$DllrMdFd	116.4	125.2	....	—
$IntCurrncy	107.7	115.9	....	—
$WldTech	126.3	135.9	....	—
$NAmSkMt	101.1	108.8	....	—
$ Far East	106.1	114.1	....	—
SwrFrMgd	$4.981	5.356	....	—

Prices Nov 28. Next dealing Dec 5. For other prices ring 0481 26726/9.

Putnam International Advisers Ltd
10-12 Cork St, London, W1. 01-439 1391

Emrg Health Sci	$8.90		....	—
International Fd	$55.73		....	—

For Quest Fund Man. (Jersey) see Royal Trust Intnl. Mngt.

Quilter/Heinold Commodities
31-45 Gresham St, EC2V 7LH 01-600 4177

Resce Fd	$141.08	2.00	....	—

Next dealing date Dec 3.

Rea Brothers (IoM) Ltd
29 Athol St, Douglas, IoM. 0624 29696

Bond Fund	£1.275	1.315	....	7.61

Richmond Life Ass Ltd
4 Hill Street, Douglas, IoM. 0624 29441

Gold Bond	240.5	255.7	−0.2	—
SterlDpBd	179.19	191.65	+0.08	9.77
UKGiltFund	169.5	180.2	−0.4	—

Rothschild Asset Management (CI)
St. Julian's Ct, St Peter Port, Guernsey 0481 26741

OCAmerFd*	$2.72	2.88	....	1.51
OCEsCo***	205.4	217.7	+3.8	1.54
OC Cmdty*	122.2	129.5	+0.6	2.35
OCSCmdy*	$31.66	33.55	....	—
HK Fd††	HK$38.59	41.05	....	—

***Prices Nov 30. Next dlg Dec 14. †Prices Nov 14. Next dlg Nov 30. *Prices Nov 21. Next dlg Dec 7. ††Dls every Wed.

O.C. International Reserves

Sterling	£16.032	+0.004	8.93
Australia $	A$15.864	+0.004	8.68
Canadian $	C$41.393	+0.011	9.78
Dutch Gldr	DFl53.55	+0.01	4.62
Danish Kr	DKr161.239	+0.047	10.51
Deutschmarks	DM53.893	+0.007	4.63
Bel Frs (Fin)	BFr960.75	+0.25	9.51
French Frs	FFr187.89	+0.05	9.54
HK Dollar	HK$106.684	+0.019	6.74
Italian Lire	L44.026	+14	12.48
Singapore $	S$70.66	+0.01	5.42
Swiss Frs	SF47.6123	+0.0069	5.79
U.S. $	$33.217	+0.007	8.63
Japanese Yen	Y6,724.71	+0.98	5.22

Daily dealings.

Rothschild Australia Asset Mgmt Ltd
17 Bridge St, Sydney 2000, Australia.

Five Arrows	$1.43	1.46	....	6.10

Rouse Woodstock (Bermuda) Ltd
POB 1179 Hamilton, Bermuda. 809 295 2244

Systemtrend	$10.32	....	—

Royal Bank of Canada Funds
PO Box 246, St Peter Port, Guernsey. 0481 23021

RBC Invest Managers Ltd

IntlIncFd	$9.82	10.44xd	....	8.00
IntlCapFd	$16.67	18.08	....	—
NthAmFd	$7.19	7.83	....	—
FrEst&PacF	$9.58	10.27	....	—
CanadnFd	C$9.99	10.51	....	—

RBC Intl Currencies Fd Ltd

U.S. $	$23.83		—

Surinvest (Jersey) Ltd.
4 Hill St, Douglas, IoM. 0624 29441

Copper Tst	£13.81	14.58	....	—

TSB Trust Funds (CI)
26 Hill St, St Helier, Jersey (CI). 0534 73494

TSB Gilt Fd	102.0	105.0	....	11.43
TSGGiltFdJy	102.0	105.0	....	11.43
TSB Jy Fd	95.7	100.8	....	3.76
TSB Grnsy Fd	95.7	100.8	....	3.76
TSBCrncyFd	102.4	107.7	....	—

Prices on Nov 28. Next sub day Dec 5.

Taiwan (ROC) Fund
c/o Vickers da Costa Ltd, King William St, London, EC4. 01-623 2494
NAV L457, IDR value US$11,578.41.

Target Trust Mngrs (Jersey) Ltd
PO Box 194, St Helier, Jersey. 0534 72936

Man Cur Fd	104.7	110.4	+0.1	4.17

Tennant (Cayman) Managers Ltd and NATCO
PO Box 2189, Grand Cayman. 0101 (809) 9497436

Wstmstr Cm	$8.33	8.79	....	—

Tokyo Pacific Holdings NV
Intimis Management Co NV, Curacao.
NAV per share $138.93.

Tokyo Pacific Hldgs (Seaboard) NV
Intimis Management Co NV, Curacao.
NAV per share $101.30.

Tyndall Bank (Isle of Man) Ltd
30 Athol St, Douglas, IoM. 0624 29201

Stg Mny Fd	—	—	....	9.25
US$2Mny Acc	—	—	....	8.00

Tyndall Managers
2 New St, St Helier, Jersey. 0534 37331

TOFSL	195.4	209.7	....	1.19
American	210.4	226.8	....	1.77
Far Eastern	263.4	282.0	....	0.89
European	113.8	122.0	....	0.82
Prtflo Man	105.3	113.0	....	—
Prtflo Amer	101.7	109.6	....	—
PrtfloSIFEst	108.4	116.1	....	—
PrtfloStEuro	107.0	114.6	....	—
Jersey Fd	172.4	188.4xd	....	5.21
(Nn-PacUts)	422.2	461.0	....	—
Gilt Fund	116.6	118.8xd	....	10.02
(Accum Shs)	315.0	320.6	....	—

Victory House, Douglas, IoM. 0624 7411

High Inc Gilt	111.8	114.2xd	....	12.27
(Accum Shs)	214.8	219.0	....	—

Tyndall International Assurance Ltd
Albert House, St Peter Port, Guernsey. 0481 27066

Int Equity	442.8	466.2	....	—
Do $	5.270	5.550	....	—
Pacific Eqty	136.4	143.6	....	—
Do $	1.620	1.710	....	—
N Amr Eqty	94.0	99.0	....	—
Do $	1.115	1.175	....	—
UK Equity	301.2	317.1	....	—
Do $	3.585	3.775	....	—
Euro Eqty	119.4	125.7	....	—
Do $	1.420	1.495	....	—
Intl Fxd Int	463.5	487.9	....	—
Do $	5.515	5.810	....	—
Stg Fxd Int	276.9	291.5	....	—
Do $	3.205	3.470	....	—
$ Deposit	146.1	153.8	....	—
Do $	1.735	1.830	....	—
Stg Deposit	156.7	165.0	....	—
Do $	1.865	1.965	....	—
Commodity	444.6	468.0	....	—
Do $	5.290	5.570	....	—
Gold	84.1	88.6	....	—
Do $	1.000	1.055	....	—
UK Prpty	195.1	205.4	....	—
Do $	2.320	2.445	....	—
Intl Mangd	367.7	387.1	....	—
Do $	4.375	4.610	....	—
UK Mngd	262.0	275.8	....	—
Do $	3.115	3.280	....	—

Tyndall-Guardian Mngt Ltd
PO Box 1256, Hamilton, Bermuda.

T-G American	$19.85	−0.55	—
T-G Money	$24.07	+0.04	—
T-G Eurobond	$16.69	−0.31	—
T-G Commodity	$22.22	+0.34	—
T-G Mortgage	C$22.15	+0.15	—
T-G Overseas	$10.94	−0.21	—
T-G Pacific	Y2,058	+8	—
T-G Wall Street	$25.61	−0.22	—
T G Gold	$8.06	−0.27	—

M. G. Tyrrell & Co Ltd
PO Box 415, London W13 9NY.

Ortac	$11.75	11.95	+0.05	—

Unico Invest Fd Mgt Co SA Lux
London & Continental Bankers Ltd.
2 Throgmorton Ave, London. 01-638 6111

UC Inv Fd	$70.65	72.20	+0.20	—

Union-Investment-Gesellschaft GmbH
Postfach 16767, D 6000, Frankfurt 16.

Unifds	DM19.57	20.60	+0.10	—
Unirak	DM71.09	74.65	−0.45	—
Unirenta	DM39.74	41.00	....	—

United Fund Managers Ltd
16-18 Queens Rd Central, Hong Kong. 5-231417

S-Mly T	9.00	9.39	....	10.08

For Vanbrugh Currency Fund see Holborn Fund Management (Jersey) Ltd

S. G. Warburg & Costa and subsdrs
33 King William St, EC3R 9AS. 01-280 2222

Enav In	$42.58	—	−0.07	—
EurbdN28	$16.17	16.32	+0.17	7.40
[illegible]	[illegible]	16.74		1.53

39-41 Broad Street, St Helier, Jsy. CI. 0534 74715

CmMkN27	$28.12	28.83	....	1.35
FrEastN28	$27.14	27.83	....	0.90
TransNv23	£25.76	26.41	....	1.86
MetalsN15	£13.42	13.76	....	3.05
SlMktN22	£20.41	20.93	....	1.43

Mercury Money Market Trust Ltd

D-Mark	DM79.32	....	—
Dutch Guilder	DFl106.76	....	—
Japanese Yen	Y8,0[illegible]2	....	—
£ Sterling	£[illegible].01	....	—
Swiss Franc	SF77.47	....	—

1 Thomas St, Douglas, IoM. 0624 4856

Mec. I.o.M.	57.9	61.7xd	+0.3	7.8
MercIntBd	41.0	43.7xd	−0.1	7.0

Wardley Fund Managers (Jersey) Ltd
HK Bk Bldg, Grenville St, St Helier. 0534 71460

MrrInB[illegible]Fd	40.9	43.5xd	....	7.1
Wrdly Gt Fd	101.0	105.0	....	10.71

Wardley Investment Services Ltd
4th Floor, Hutchinson House, Hong Kong.

Wrdly Tst	$5.36	5.73	....	1.40
WrdyNKAF	$26.22	27.80	....	5.40
WrdlyBdT	$10.35	11.00	....	7.36
WrdlyJapt	$33.20	35.20	....	0.28
WrdlyPyCT	$10.19	10.70	....	2.05

West Avon Secs (Guernsey) Ltd
Borough Hse, St Peter Port, Guernsey. 0481 27963

U.S. & Opt.	$0.95	1.00	....	—
Gilt&OptFd	£1.19	1.24	....	5.20

World Wide Growth Management
10a, Boulevard Royal, Luxembourg.

WwdGthFd	$11.34	—	−0.08	—

Inv. Adv.; M&G Inv. Mngt. Ltd., London.

Wren Commodity Management Ltd
10, St George's St, Douglas, IoM. 0624 25015

Wren Com Fd	12.8	13.3	....	3.10
Chinese Fd	59.9	62.4	....	1.70
PrecMedFd	122.7	127.8	....	8.30
VangCmdyFd	25.0	25.7	....	—
FinFuturesFd	32.4	33.8	....	—

Yamaichi Dynamic Mngt Co SA
10a Boulevard Royal, Luxembourg.

Dynamic Gth Fd	$9.18	....	—

Money Market Trust Funds

Money Market Bank Accounts

COMMODITIES AND AGRICULTURE

Copper prices firm on sharp decline in stocks

BY JOHN EDWARDS, COMMODITIES EDITOR

THE SHARP decline of 7,750 tonnes in copper stocks held in London Metal Exchange warehouses last week brought a firmer trend in prices yesterday. The stocks fall was attributed to recent buying by the Chinese and Japanese. More shipments to the Far East are anticipated during the next few weeks putting further pressure on supplies.

Stocks are at the lowest level since August 1982, and there is a scarcity of standard grade cathodes, which have maintained unusual premium over higher grade copper for some time.

Last week's stocks decline was larger than expected, and London prices received a further boost when the New York market opened higher than generally anticipated yesterday.

Lead stocks rose less than expected, some traders thought they would be up as much as 3,000 tonnes. Nevertheless, it was a depressing influence and the market was also hit by news that Asarco, a leading U.S. producer, had reduced its domestic selling price by 3 cents to 23 cents a lb.

A recent attempt to starve the market of available supplies appears to have collapsed following the surprise decision of

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes in week ending Nov. 30)

Aluminium	+850	to 138,375
Copper	−7,750	to 141,725
Lead	+1,350	to 40,175
Nickel	−324	to 11,034
Tin	+800	to 22,405
Zinc	−725	to 33,500
		(tonnes)
Silver	+120,000	to 52,478,000
		(ounces)

the strike at the Glover smelter Asarco workers last week to end in Missouri.

This settlement is likely to put pressure on other workers on the Missuri lead "belt" at Amax and St. Joe Resources plants to adopt a more conciliatory approach at the forthcoming talks seeking to end the long-running stoppages.

The modest rise in aluminium warehouse stocks made little impact, with prices firmer on some renewed buying interest.

● Canute James in Kingston writes: The International Bauxite Association has recommended that its 12 members, who account for about 70 per cent of world production, sell the ore at a minimum price of $35 per tonne CIF (cost, insurance, freight) next year.

The producer's group in Kingston also recommended that members sell alumina (refined bauxite) next year at a minimum price of $225 per tonne, CIF.

It is the first time in its 10 years that the IBA has recommended minimum prices in dollar terms. Previous recommendations were set as percentages of the average price for aluminium ingot in the U.S.

The council said it was still committed to the principle of indexations, but changed to fixed dollar recommendations ". . . in view of the discontinuation of the published producers list prices for primary aluminium ingot."

World cocoa surplus predicted for '84-85

By Our Commodities Editor

COCOA production will exceed consumption by a modest surplus of 25,000 tonnes in the present (1984-85) season, according to the market report issued by leading cocoa dealer, Gill & Duffus, yesterday. The deficit for the 1983-84 season is left unchanged at 179,000 tonnes.

In its first estimate of the world supply-demand balance for 1984-85, the company predicts that world production will rise to 1.72m tonnes against 1,519m in 1983-84. Biggest crop increases forecast are for Ivory Coast 460,000 (405,000 last season) and Brazil 366,000 (302,000), with smaller rises for Nigeria, Ghana and Cameroun.

Worl grindings for 1984-85 are expected to show only a small rise to 1.694m (1.687m) tonnes with a decline in western Europe's total from 642,000 to 626,000 tonnes.

● INDIA'S domestic official purchases of rice for stockpiling during the 1984-85 marketing season started October 1 reached a record 4.33m tonnes up to November 30, compared with 2.8m in the same 1983 period, a government statement said.

● PAKISTAN'S 1984-1985 cotton crop will be a record after a 40 per cent shortfall last season, predicted Vice Admiral Mohammad Fazil Janjua, Minister for Food and Agriculture.

The official Associated Press of Pakistan quoted him as saying estimates based on returns so far in the more than half finished harvest indicated the crop would exceed the 1982-1983 record of 4.8m bales (375 pounds each).

The 1983-1984 crop brought in only 2.9m bales after drought and pest attacks.

● PENINSULAR Malaysian rubber production fell to 13,766 tonnes in September from an upward revised 126,297 (originally 123,719) in August, and 133,223 in September 1983, statistics department figures show.

Prospects sour for Spanish citrus

BY A CORRESPONDENT

SPANISH CITRUS exports exceeded 2m tonnes last season for the first time in more than a century of trading. More than 2.35m tonnes were sold abroad in 1983-84 compared with 1.78m the previous season.

Production in 1984-85 is expected to approach 3.4m tonnes, down from the previous year's record of almost 3.9m but still some 17 per cent above the average for the past decade.

Such expansion will accelerate, some say, when Spain's entry to the European Community removes the 12 per cent tariff its citrus sales to the Community now attract, compared with a concessionary 8 per cent rate for Israel and 4 per cent for Morocco. Spain will always have an edge on other suppliers because of its nearness to the markets of northern Europe.

Last season's output and exports achieved the proportions they did as near-perfect climatic conditions coincided with the coming into bearing of trees planted during a wave of expansion in the late 1970s.

Forecasts for this season represent a setback that is not fully reflected in the 13 per cent expected tonnage fall, for it looks like being concentrated on the more desirable types.

While relative nondescripts like "select bonds," "bitter oranges" and some of the mandarins will be more plentiful, supplies of such staples as navels, clementines, lemons and grapefruit will be significantly down.

Although the weather was kind to Spanish citrus last season, not only in the country itself but indirectly by ruining much fruit in Florida, in the longer term the climate has become Spain's enemy.

Although floods now and then make the news, the rains that cause them have been too brief and ill-distributed to end the drought that Spain has suffered for five years or more which has turned much of the country into a near desert.

Not only does lack of water hold back expansion, but it is beginning to threaten existing production, both by its scarcity and the onset of one of its corollaries—increased salinity.

Another hazard Spain must endure until it is in the EEC is the reference price applied on third country imports to member states, which was raised this season by 20 per cent. Besides creating uncertainty in the market, it has had the effect, by forcing prices up artificially, of attracting imports from such sources as South and Central America, which would otherwise be too distant to find European retailers profitable.

The strengthening of the peseta against sterling and other currencies will also serve to pare exporters' returns by some 10 per cent this season, it is feared.

What makes the Spaniards see red, however, is the inclusion of citrus with horticulture as a whole in negotiations for community membership. Since no member country exports citrus, they argue, the product is not "sensitive," and it is illogical and unfair to treat it in the same way as other fruits which are.

With Brussels demanding a 10-year transition period for Spanish citrus and prepared to grant only slight annual reductions in the tariff, a situation could materialise in which Spain belonged to the EEC yet was worse off than a number of outsiders.

As an industry, the prospects for Spanish citrus are not all bad. After years of stagnation, UK consumption of citrus last season showed signs of expanding. About 40,000 tonnes more imports were recorded by Customs and Excise, and Spain thinks navel oranges accounted for most of the rise.

The question facing Spain, however, is whether, as it becomes enmeshed in wider Community negotiations, the citrus industry can still be considered on its own or whether it is just another pawn in the political dealings.

SPAIN has for the first time imposed a statutory limit on the quantity of a citrus variety that may be exported.

For this week, on the initiative of the Valencia-based Citrus Management Committee, exports to all European destinations of the popular clementine variety of soft citrus are being restricted to 85 per cent of the 37,400 tonnes shipped abroad in the same period last year.

The restriction has been applied because prices have been too low.

To help enforce it, the number of inspection points through which such exports pass has been reduced.

Better credit terms for grain exports

BY ANDREW GOWERS

THE BRITISH Government yesterday announced improved credit terms for grain exports, in a move designed to help traders compete on the world market and shift the country's huge cereal surplus.

Mr Paul Channon, Minister for Trade, said the Export Credits Guarantee Department (ECGD) would extend maximum credit terms for bulk grain exports to two years from the present 180 days.

And where there was evidence that other countries were offering credit terms of up to three years, the ECGD would be able to match such terms.

Competition on the international grain market is fierce this year, particularly between the European Community and the U.S., both of which have produced large cereals harvests.

The U.S. is offering export credit cover at commercial rates for up to three years, as well as so-called "blended credits" which mix commercial credit cover and interest-free loans direct from government to government. These have proved an effective instrument in exporting to North African countries.

Although the Community provides extensive subsidies for exports, there has been growing concern within the European Commission that America's blended credits have been helping it win markets at Europe's expense.

The British Government's move follows a long period of lobbying by grain traders and farmers, who feared that the UK would not be able to dispose of its record harvest against stiff French and U.S. competition.

Mr Channon made clear that the improved terms were "exceptional," and were granted in the light of the present grain surplus. ECGD officials declined to specify which export markets they had in mind in offering the new terms.

Mr Michael Jopling, Minister of Agriculture, welcomed the move, saying that "these measures should contribute to the UK's increasingly successful export performance."

However, he warned: "We must not deceive ourselves into thinking that the problem facing the cereals sector will be solved by these changes. It remains as vital as ever to get the cereals sector back into balance."

Potato futures market weathers storage crisis

BY RICHARD MOONEY

LONDON'S POTATO futures market faced the biggest crisis of its short history last week when concern that there was insufficient registered storage space to allow for deliveries against a large, tightly held long position led to fears of widespread contract defaults in the expiring November position.

In the event, November futures expired with no defaults being declared, but not before the price had been forced up an unprecedented £110.70 in its final week of trading, to £179 a tonne.

"It was touch and go," admitted Mr Bill Englebright of the Grain and Feed Trade Association, which organises the Potato Futures Market. However, the absence of defults had justified the decision of the market's management committee to take no action to halt the price rise.

"The problem was caused by a single trader who had bought an unusually large number of November contracts and made it clear that he intended to take delivery.

While potato supplies are plentiful, there is a limited amount of space in warehouses designated as acceptable. Delivery points and "short" sellers became nervous about the possibility that they would not be able to deliver on time. It was their rush to close out their positions that forced the price higher.

"Some sellers had difficulty in delivering," confirmed Mr Englebright, "but it was not impossible. I still don't know why the price went so high."

The management committee met on Thursday to consider the position and decided, almost unanimously, that no action should be taken.

It could have extended the delivery period by up to two months, thereby removing the delivery problem, but it decided that the buyer had the right to take delivery under the normal terms of the contract if he so desired. As he had built up his position week's ahead of expiry his strategy could not be seen as an attempt to "squeeze" the market, the committee concluded.

Critics of the committee argue, however, that the buyer had clearly been attempting to "squeeze" the availability of storage in the hope of forcing sellers into default and winning arbitrated compensation at or near the top of the market. If this was the case his ploy would appear to have failed.

Nevertheless, last week's experience can have done little for trader confidence in the Potato Futures Market, and will increase pressure for some alternative to physical delivery for settling contracts.

Mr Robin Pooley, chief executive of the Potato Marketing Board, said yesterday that it added weight to the case for introducing cash settlement against an index based on physical potato prices once changes in the Gaming Act makes this possible. Mr Englebright agreed that this was a possibility, but not in the immediate future.

LONDON MARKETS

SOFT (non-metal) commodity markets in London were relatively quiet in the absence of influential fundamental news. Cocoa and coffee prices moved up a little, helped by sterling's easiness against the dollar. Cocoa's rise was aided by covering sales against earlier purchases in the spot December position. Dollar denominated markets tended a little lower. Nearby positions on the London raw sugar market lost about 40 cents in spite of rumours that Brazil had bought 250,000 tonnes in an oil barter deal, and continuing talk of Soviet demand. Nearby gas oil futures ended about $1 down having moved 50 cents off the lows. Losses followed an easier trend in New York.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

	Dec. 3 1984	+ or −	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt	$1164 1180	−10	$1215/1245
Copper			
Cash h Grade	£1098.5	+6	£1088.5
3 mths	£1117.25	+9.5	£1112.75
Gold troy oz	$330.5	+1.25	$343
Lead Cash	£330.5	−5	£351.75
3 mths	£329.75	−1.5	£347.75
Nickel	£5967		£5868
Free Mkt	218/232c	+1	216/238c
Palladium oz	$138.50	2.25	$147.25
Platinum oz	$317.25	−.75	$335
Quick Silver†	$295/305		$300/318
Silver troy oz	587.10p	−3.15	593.65p
3 mths	600.05p	+0.40	607.48p
Tin cash	£9837	+17	£9565
3 mths	£9808	+20.5	£9595
Tungsten	$83.54		$88.53
Wolfram 22 04lb	$75/77		$80/85
Zinc	£646.5	+0.75	£638.75
3 mths	£646.75	+2.5	£646.23
Producers	$900		...

	Dec. 3 1984	+ or −	Month ago
OILS			
Coconut (Phil)	$990w	+15	$1115
Palm Malayan	$600v		$627.0
Seeds			
Copra Phil	$500x		‡
Soyabean (U.S.)	$254.75		$264
GRAINS			
Barley Fut. Mar	£113.88	−0.35	£110.40
Maize	£145.00w		‡
Wheat Fut. Mar	£113.60	−0.20	£111.35
No2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar	£1852	+12.5	£1918.5
Coffee Ft. Mar	£2249.5	+2.5	£2256.5
Cotton A index	72.10c		‡
Gas Oil Jan.	$228.5	+0.5	$236.25
Rubber (kilo)	60.5p	+1	58p
Sugar (raw)	$113.5x	+1.5	$129
Wooltops 64s	468p kilo	+1.5	‡

‡ Unquoted. v-Jan. y-Jan-Feb. x Dec-Jan. w Nov-Dec. † Per 76-lb flask. n Nominal. c Cents per pound.

INDICES

FINANCIAL TIMES

Nov. 30	Nov. 29	M'th ago	Year ago
289.89	289.53	292.93	288.24

(Base: July 1 1952 = 100)

REUTERS

Nov. 30	Nov. 29	M'th ago	Year ago
1883.3	1878.7	1901.1	1935.0

(Base: September 18 1931 = 100)

MOODY'S

Nov. 16	Nov. 7	M'th ago	Year ago
983.4	966.0	960.8	1008.9

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Nov. 16	Nov. 7	Month ago	Year ago
Spot	—	126.25	124.5	134.45
Fut	128.94	130.13	125.95	140.78

(Base: December 31 1974 = 100)

OIL

Brent weakened 10c in London trade following a late fall on the Nymex on Friday. Crude posted price cuts in the U.S. continued to affect Nymex which opened 11-13c down and softened further before recovering by lunchtime to around Friday's closing levels. The petroleum products market was largely inactive. Gas oil prices slipped in the morning but recovered some of their strength after the Nymex opened. Heavy fuel prices remained stable—Petroleum Argus.

SPOT PRICES — CRUDE OIL—FOB ($ per barrel); PRODUCTS—North West Europe "cif" ($ per tonne); GAS OIL FUTURES: [illegible]

COPPER

[illegible]

ALUMINIUM

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	927-8	+7	929-30	+7
3 months	951.5-2	+8	953.5-.5	+7.5

Turnover: 17,800 tonnes.

SILVER

Silver was fixed at 587.10p in the London bullion market yesterday, unchanged from Friday. U.S. cent equivalents of the fixing levels were: spot 699.8c, down 5.3c; three-month 715.3c, down 4.7c; six-month 732.7c, down 5c; and 12-month 771.3c, down 2.9c. The metal opened at 584-587p (698-701c) and closed at 589-592p (705-708c).

[illegible]

GRAINS

Old crop markets drifted on long liquidation in dull conditions. New crops found good mixed support at lower levels, reports Muirpace.

[illegible]

LEAD

[illegible]

NICKEL

[illegible]

Turnover: 1,920 tonnes.

GOLD

Gold rose $1¼ to $330¼-330¾ on the London bullion market yesterday. It opened at $328¾-329¼ and fell to a low of $327½-328 around the time of the morning fixing of $327.70. This was the lowest level for about 2¼ years, but the metal then recovered to $329.50 at the afternoon fixing. The high of $330¼-331¼ was touched in the afternoon on buying demand in New York, as the dollar eased back slightly on the foreign exchanges.

[illegible]

TIN

[illegible]

ZINC

[illegible]

Turnover: 7,750 tonnes.

COCOA

After falling to make the levels due on the opening, futures drifted and closed at the lower end of the trading range. With producers remaining out of the market only second-hand interest for cocoa products was noted on the day, reports Gill and Duffus.

[illegible]

COFFEE

After opening slightly higher in light volume robusta prices fluctuated in a narrow range during the morning, reports Drexel Burnham Lambert. In the afternoon the market drifted lower but dealer buying of the January/March spread added support and prices recovered. Physical activity continued to be very slow.

[illegible]

RUBBER

PHYSICALS — The London market opened steadier, ruled quiet throughout the day and closed on an uncertain note, reports Lewis and Peat. Closing prices (buyers): spot 60.50p (59.50p); Jan 72.50p (71.50p); Feb 73.25p (72.25p). The Kuala Lumpur Dec fob price for RSS No 1 was 193.0 (191.5) a kg and for SMR 20 was 186.0 (185.0).

SOYABEAN MEAL

[illegible]

PIGMEAT

Initial stop-loss selling saw values open over 1p lower. However, values quickly recovered to close just above mid-range, reports CCST Commodities.

[illegible]

SUGAR

LONDON DAILY PRICE—Raw sugar $113.50 (£95.00), up $1.50 (up £2.50) a tonne for Dec/Jan delivery. White sugar $154.50, down 50c.

Rumours that Brazil had concluded a substantial deal with Nigeria involving 250,000 tonnes of whites for oil helped to keep prices steady, reports C. Czarnikow.

[illegible]

Tate and Lyle delivery price for granulated basis sugar was $199.50 (£200.50) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for Nov 30: Daily price 4.05; 15-day average 4.17.

POTATOES

The market was extremely quiet, lacking direction in the absence of any fresh news, reports Coley and Harper.

[illegible]

U.S. MARKETS

HEATING oil was moderately higher in light activity as traders showed apprehension about the prospects of traditional price differentials at the upcoming Opec meetings, reports Heinold Commodities. Precious metals were nominally higher trading off currencies as traders were awaiting indications of any Federal Reserve action. Copper was supported by arbitrage buying against sterling and by profit-taking following recent declines. Aluminium finished fractionally higher mostly on technical buying and arbitrage activity. Sugar remained about unchanged after the market could not sustain any attempts to rally on prospects of Soviet purchases. Cotton moved fractionally higher in featureless trading

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	50.50	50.50	49.45	49.30
Jan	50.85	50.25	49.75	49.70
March	51.80	51.75	50.65	50.65
May	52.70	52.10	52.10	51.60
July	53.65	53.05	53.05	52.55
Sept	54.60	54.00	54.00	53.50
Dec	56.00	—	—	54.95
Jan	56.50	—	—	55.45
March	57.45	—	—	56.45

COCOA 10 tonnes, $/tonnes; COFFEE "C" 37,500 lb, cents/lb; COPPER 25,000 lb, cents/lb; SUGAR WORLD "11" 112,000 lb, cents/lb: [illegible]

COTTON 50,000lb, cents/lb

	Close	High	Low	Prev
Dec	65.17	65.30	65.10	65.17
March	65.93	66.10	65.88	65.93
May	66.85	67.00	66.85	66.95
July	67.75	68.00	67.75	67.95
Oct	67.90	67.85	67.85	67.90
Dec	68.10	68.25	68.15	68.25
March	70.10	—	—	69.25
May	69.71	—	—	69.75

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels; GOLD 100 troy oz, $/troy oz; HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons; ORANGE JUICE 15,000 lb, cents/lb; PLATINUM 50 troy oz, $/troy oz; SILVER 5,000 troy oz, cents/troy oz: [illegible]

SPOT PRICES—Chicago loose lard 29.50 (same) cents per pound. New York tin 541.0-543.0 (541.0-547.0) cents per pound. Handy and Harman silver bullion 704.0 (702.5) cents per troy ounce.

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb; LIVE HOGS 30,000 lb, cents/lb; MAIZE 5,000 bu min, cents/56-lb bushel; PORK BELLIES 38,000 lb, cents/lb; SOYABEANS 5,000 bu min, cents/60-lb bushel; SOYABEAN MEAL 100 tons, $/ton; SOYABEAN OIL 60,000 lb, cents/lb: [illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	351.6	353.2	350.4	353.2
March	352.6	355.0	351.4	353.6
May	347.2	349.2	346.2	349.0
July	339.0	340.0	338.4	339.4
Sept	344.0	344.4	343.8	344.2
Dec	354.6	356.0	354.6	355.0

OTHER MARKETS

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Dec 504, 509, 511-606, Jan 504, 506, 507-505, March 509, 511, 511-510, May 516, 517, 517-516, Aug 530, 532, 532-531, Oct 533, 534, 534-533, Dec 534, 535, 535-534, Jan 534, 535, 536-535, March 545, 546, 546, May 549, 551, 551-550. Sales: 105.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Dec 572.5, 574.0, 574.0-572.0; March 584.0, 586.0, 584.0; May 591.0, 593.0, untraded; July 601.0, 603.0, untraded; Oct 588.0, 589.5, untraded; Dec 592.0, 592.5, 593.0; March 599.0, 603.0 untraded; May 602.0, 610.0, untraded. Sales: 27.

JUTE

JUTE — Dec-Jan c and f Dundee BWC/BTC $960, BTD $945; c and f Antwerp BWC/BTC $960, BTD $940; c and f Dundee ex-India Dec 40 in 10 oz £27.95, 40 in 7.5 oz £20.23; B twills £91.05.

TEA AUCTION

LONDON TEA AUCTION — 32,332 packages were on offer, including 4,600 packages in the offshore section. After a hesitant start a good demand prevailed, particularly for North Indians. Assams opened on a quiet note but demand strengthened as the sale progressed and prices for colory mediums and better sorts closed 5-10p higher with dust grades a strong feature. Bangladesh teas came in for increased competition and were frequently 5-10p dearer. The few best East Africans on offer were firm, but Kenya mediums were generally 2-4p down; lower priced sorts were, however, in keen demand while Central African CTCs were irregular but little changed overall. Brighter Ceylons were well supported at generally dearer rates but others tended lower. Offshore teas sold readily with prices often above valuation. Quotations: quality 320p a kg (330p); medium 285p a kg (280p); low medium 250p a kg (250p).

PARIS

Sugar—(FFr per tonne): March 1506-1509, May 1556-1559, Aug 1637-1640, Oct 1710-1715, Dec 1775-1795, March 1900-1915.

Cocoa—(FFr per 100kg): Dec 2100-2104, March 2087-2088, May 2087-2110, July 2090 bid, Sept 2095 bid, Dec 2045-2090, March 2046-2090.

MEAT

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 77.0 to 84.0; English hindquarters 98.0 to 102.5, forequarters 53.0 to 57.0. Veal: Dutch hinds and ends 121.0 to 125.0. Lamb: English small 78.0 to 84.0, medium 76.0 to 78.0, heavy 74.0 to 77.0; Scottish medium 76.0 to 78.0, heavy 74.0 to 76.0; Imported: New Zealand PL 66.5 to 68.0. Pork: English under 100 lb 59.0 to 65.0, 100-120 lb 59.0 to 63.5, 120-160 lb 48.0 to 58.0.

33—Page 24 Commodities Meat —

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.97p per kg lw (+0.67). GB—Sheep 186.42p per kg est. dcw (−1.06).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar drifts after firm start

The dollar closed around the middle of its range in fairly subdued foreign exchange trading. It began on a very firm note, touching the day's high of DM 3.1225 in the morning. Dealers have been encouraged in the belief that the previous trading record of DM 3.1765 touched in September will soon be exceeded by the recent lack of Bundesbank intervention. It is also felt the German central bank will find it more difficult to attack the dollar in the present circumstances because the market is not running very long positions, but there remains a general mood of nervousness about the intervention policy of the Bundesbank.

Commercial demand for the U.S. currency as the end of the year approaches, and speculation the Federal Reserve may have finished easing its monetary policy for the time being, continues to attract buyers to the dollar.

On the other hand the lack of any major economic data this week, apart from the usual money supply figures on Thursday and U.S. unemployment statistics on Friday, contributed to the downward drift after the firm start.

After a fairly quiet day the dollar rose to DM 3.1150 from DM 3.1045; FFr 9.54 from FFr 9.49; SwFr 2.5655 from SwFr 2.5525; and Y248.15 from Y247.40.

On Bank of England figures the dollar's index rose to 143.3 from 142.9.

STERLING — Trading range against the dollar in 1984 is 1.4905 to 1.1875. November average 1.2415. Exchange rate index fell 0.4 to 74.5, compared with 79.5 six months ago. It opened at the day's peak of 74.7 and then stood at 74.5 at each hourly calculation, apart from a day's low of 74.4 at noon.

Sterling confounded its detractors yesterday, and despite almost touching a record low against the dollar, finished only 30 points lower on the day at $1.1945-1.1955 and later in New York rose to around Friday's closing level in London. Concern over oil prices and expectations that disappointed foreign applicants for British Telecom shares would start to withdraw capital from London failed to depress the pound against other major currencies. It rose to DM 3.7250 from DM 3.7125; FFr 11.39 from FFr 11.3650; SwFr 3.0650 from SwFr 3.06, and was unchanged at Y296.50.

D-MARK — Trading range against the dollar in 1984 is 3.1410 to 2.5535. November average 2.9906. Trade-weighted index 120.5 against 126.4 six months ago.

The D-mark showed little change against most major currencies at the Frankfurt fixing, but weakened against the dollar. There was no indication of intervention by the Bundesbank on the open market, as the dollar settled down to a fairly steady level after an early advance. It was fixed at DM 3.12, the highest level since October 18, and compared with DM 3.0963 on Friday. The German central bank bought $18.85m at the fixing. In early trading the dollar touched a peak of DM 3.1225, but then drifted back a little. Commercial demand remained high, but there was a lack of new factors to move the market. Sterling was fixed unchanged at DM 3.7140, and within the EMS the French franc, Dutch guilder and Belgian franc were also unchanged.

STERLING EXCHANGE RATE INDEX

	Dec 3	Previous
8.30 am	74.7	74.4
9.00 am	74.5	74.5
10.00 am	74.5	74.7
11.00 am	74.5	74.7
Noon	74.4	74.6
1.00 pm	74.5	74.6
2.00 pm	74.5	74.7
3.00 pm	74.5	74.7
4.00 pm	74.5	74.9

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.9123	+0.03	+0.25	±1.5428
Danish Krone	8.14104	8.04058	−1.23	−1.01	±1.6421
German D-Mark	2.24184	2.23389	−0.35	−0.13	±1.1463
French Franc	6.87456	6.84416	−0.44	−0.22	±1.3659
Dutch Guilder	2.52595	2.52029	−0.22	—	±1.5165
Irish Punt	0.72569	0.718794	−0.95	−0.73	±1.6671
Italian Lira	1403.49	1380.25	−1.66	−1.66	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York

	December 3	Prev. close
£ Spot	$1.1955-1.1965	$1.1960-1.1970
1 month	0.07-0.05 pm	0.08-0.07 pm
3 months	0.10-0.07 pm	0.12-0.10 pm
12 months	0.42-0.52 dis	0.35-0.45 dis

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Dec 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1885-1.1970	1.1945-1.1955	0.07-0.04c pm	0.55	0.11-0.06pm	0.28
Canada	1.5740-1.5830	1.5820-1.5830	0.18-0.23c dis	−1.55	0.44-0.51dis	−1.20
Nethlnd.	4.18-4.20¼	4.19-4.20	1½-1¼c pm	4.29	4-3¾pm	3.69
Belgium	74.50-75.00	74.75-74.85	5-10c dis	−1.20	12-21dis	−0.88
Denmark	13.36-13.41¼	13.40¾-13.41¾	1½-2¾ore dis	−2.01	5½-6¾dis	−1.86
Ireland	1.1933-1.1990	1.1955-1.1965	0.41-0.57p dis	−4.92	1.44-1.63dis	−5.13
W. Ger.	3.75½-3.73	3.72-3.73	1½-1¼pf pm	4.03	3¾-3½pm	3.89
Portugal	196.00-199.50	196.85-199.40	195-620c dis	−24.68	575-1715dis	−23.12
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 75.00-75.10. Six-month forward dollar 0.03c pm-0.02c dis. 12-month 0.40-0.50c dis.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1885-1.1970	1.1945-1.1955	0.07-0.04c pm	0.55	0.11-0.06pm	0.28
Ireland†	0.9955-1.0015	1.0005-1.0015	0.56-0.50c pm	6.38	1.38-1.28pm	5.34
Canada	1.3242-1.3254	1.3242-1.3247	0.21-0.24c dis	−2.04	0.47-0.52ds	−1.49
Nethlnd.	3.4890-3.5300	3.5140-3.5150	1.06-1.03c pm	3.56	3.01-2.97pm	3.36
Belgium	62.47½-63.71	62.50-62.60	9½-11c dis	−1.96	20-23dis	−1.37
Denmark	11.20¾-11.23½	11.20¼-11.20¾	1.90-2.40ore dis	−2.30	5.00-5.50ds	−1.87
W. Ger.	3.1020-3.1225	3.1145-3.1155	0.97-0.92pf pm	3.63	2.81-2.76pm	3.57
Portugal	165-167	166-167	175-525c dis	−25.30	500-1450ds	−23.49
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.75-62.85.

OTHER CURRENCIES

CURRENCY RATES

CURRENCY MOVEMENTS

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Asian $ (closing rates in Singapore): Short-term 9⅛-9¼ per cent; seven days 9⅛-9¼ per cent; one month 9⅛-9¼ per cent; three months 9⅜-9½ per cent; six months 9⅝-9¾ per cent; one year 10⅛-10⅜ per cent. Long-term Eurodollars: two years 11-11¼ per cent; three years 11¼-11½ per cent; four years 11⅝-11⅞ per cent; five years 11⅞-12⅛ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Gilts recover

Gilt prices recovered from a lower start to finish up from Friday's close in the London International Financial Futures Exchange yesterday. A softer start reflected an easier U.S. bond market on Friday and concern over sterling's weaker trend. Despite the opportunity to sell on this background, the softer trend appeared to lack conviction and values were marked up later in the day, reflecting to some extent the success of the British Telecom share issue

In addition sterling finished above the day's lows and the U.S. bond market showed signs of *recovering. Consequently* prices finished towards the top of the day's range. The December contract closed at 109-19 up from an opening level of 109-08 and Friday's close of 109-13.

FT-SE futures also finished on *a better note, having* been checked for a while during the morning on a large selling order. The December contract opened at 118.80 up from 117.90 and finished at 118.60, having touched a high 119.05.

Euro-dollar prices were lower initially on a disappointing rise last week in U.S. M1 money supply and upward pressure on Federal funds. However, the lower levels encouraged renewed demand and the March contract finished at 90.06, up from an opening of 89.97 and Friday's close of 90.05.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Dec	90.60	90.60	90.54	90.65
March	90.06	90.06	89.96	90.05
June	89.60	89.60	89.48	89.60
Sept	89.20	89.20	89.08	89.20
Dec	—	—	—	88.83

Estimated volume 2,807 (5,461)
Previous days open int 11,314 (11,294)

THREE-MONTH STERLING
£250,000 points of 100%

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Dec	118.60	119.05	118.60	117.90
March	118.75	118.90	118.75	117.95
June	119.15	—	—	118.35

Estimated volume 181 (231)
Previous days open int 871 (837)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	72-00	72-03	71-21	72-16
March	71-07	71-10	70-26	71-16

Estimated volume 860 (1,573)
Previous days open int 1,754 (1,752)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	71-26	72-03	71-16	71-20
March	71-02	71-11	70-28	70-29
June	70-15	70-23	70-07	70-10

MONEY MARKETS

Rates firm on early sterling weakness

Interest rates were a little firmer at the longer end of the London money market yesterday while short-term rates reflected the Bank of England's attempts to accommodate the recent British Telecom share issue. Three-month interbank money moved up to 9 13/16-9⅞ per cent from 9 11/16-9 13/16 per cent while three-month eligible bank bills were bid at 9½ per cent, unchanged from Friday. Overnight interbank money opened at 9⅜-9⅝ per cent and eased eventually to around 2 per cent.

The clearance of cheques following the British Telecom flotation prompted the authorities to postpone the take-up date of their latest £1½bn repurchase facility from today until tomorrow, presumably to offset funds moving out of the system as cheques are cleared.

UK clearing banks' base lending rate 9½-9¾ per cent since November 23.

The Bank forecast a shortage of around £500m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £624m and Exchequer transactions a further £140m. In addition banks brought forward balances £5m below target. These were partly offset by a fall in the note circulation of £270m.

To help alleviate the shortage, the Bank offered an early round of assistance which totalled £298m and comprised purchases of £6m of eligible bank bills in band 1 (up to 14 days) at 9½ per cent and £46m in band 2 (15-33 days) at 9⅜ per cent. In band 3 (34-63 days) it bought £31m of eligible bank bills at 9¼ per cent and in band 4 (64-91 days) £13m of Treasury bills and £202m of eligible bank bills, all at 9⅞ per cent.

The forecast was later revised to a shortage of around £550m before taking into account the early help and the Bank gave additional assistance in the morning of £141m, comprising purchases of £68m of eligible bank bills in band 2 at 9⅜ per cent, £23m in band 3 at 9¼ per cent and £50m in band 4 at 9⅛ per cent.

MONEY RATES

Dec. 3	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.55	11¼	1¾-2¼	5½-5⅝	6.1250	16⅞-17¼	7.55	14⅜-14⅝
One month	5.80-5.90	10 11/16-10 13/16	5⅛ 5⅜	5⅝-5¾	6.55125	16⅞-17¼	10⅝-10⅞	14⅞ 15⅛
Two months	5.75-5.90	10¾-10⅞	—	—	—	—	—	14⅞-15⅛
Three months	5.70-5.85	10 11/16-10 13/16	4⅞-5⅛	5 11/16-5 13/16	6.34375	16⅞-17¼	10½-10¾	14⅞-15⅛
Six months	5.75-5.90	10⅛-10⅝	—	5⅞-6	—	—	10½ 10¾	14¾-15
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	10¾	—	5¾	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Dec. 3 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	2-9⅞	9⅜-9½	4-9½	4-9½	—	—	—	—	—
2 days notice	—	—	9⅝-9⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9⅜-9⅞	9⅜-9⅝	9⅝-9½	9⅜-9½	—	—	—	—	—
One month	9 11/16-9⅝	9⅝-9 11/16	9½	9½	9½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	9¾-9⅝	9 11/16-9⅞	9½	9⅜	9⅜	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. December 3)
3 months U.S. dollars

bid 9 5/16	offer 9 7/16

6 months U.S. dollars

bid 9 5/8	offer 9 3/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Treasury Bills

Treasury Bonds

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 1, 1984. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

INTERNATIONAL CAPITAL MARKETS

OVER-THE-COUNTER

Continued from Page 26

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

W German bond gets 7% coupon

By Jonathan Carr in Frankfurt

THE TREND to lower interest rates in West Germany, despite the new surge in the U.S. dollar, was confirmed yesterday by the terms of the Government's latest bond issue.

The issue, with a volume of DM 2bn, has a 7 per cent coupon and a price of 99.75 per cent. It is the first time the 7 per cent level has been touched for an issue with 10-year maturity since 1979.

The gradual cut in interest rates is against a background of improving West German economic and financial data which so far seems to have made little impact on the D-Mark-dollar rate.

The latest trade figures show that despite the impact of strikes in the spring and increased invisible deficits, the current account is on course for a surplus of about last year's level of DM 10bn.

Inflation is hovering at an annual rate of around 2 per cent – better than expected despite the strong rise in import prices. The federal Government is continuing to chop back its borrowing despite a lower-than-expected rise in tax revenue.

These factors, with the recent cut in the U.S. Federal Reserve's discount rate from 9 per cent to 8.5 per cent, briefly brought some market hopes that the Bundesbank might drop its key rates.

Instead the Bundesbank council decided at its meeting on Thursday to leave the discount rate at 4.5 per cent and the Lombard rate at 5.5 per cent. The strength of the dollar is one factor causing the Bundesbank to stay its hand, and it is now considered unlikely that it will cut key rates this year.

CBS dual issue hits the right note as floaters bounce back

BY MAGGIE URRY IN LONDON

THE EURODOLLAR floating rate note primary market sprang back to life yesterday, with three new issues totalling $550m. Two straight issues from CBS, the U.S. broadcasting and entertainment group – one in Eurodollars, the other in Eurosterling – were most popular.

Secondary market trading was quiet in the Eurodollar sector, with straight bond prices slipping by ⅛ to ¼ point.

CBS, whose best-known star is Michael Jackson, was the right name for the market. Both issues were trading well inside their fees yesterday. The $100m issue has an eight year life, 11⅞ per cent coupon and 99½ issue price. Fees are 2 per cent. The £40m issue has a 10-year maturity, 10⅞ per cent coupon and par issue price. Commissions for that are 2¼ per cent. Lead managers were Swiss Bank Corporation International with Morgan Stanley and S. G. Warburg for both issues.

Biggest of the floaters was a $300m issue for Enel, the Italian electricity utility. Dated February 2000, it has no put options so the ⅛ per cent yield over six month London interbank offered rate (Libor) and fees of ⅜ per cent looked on the tight side. Lead manager was Société Générale with Bank of America.

A $150m, 25-year FRN from Marine Midland Bank fared better. This pays ³⁄₁₆ per cent over three-month Libor and has front-end fees of 47 basis points. Book runner is Credit Suisse First Boston, with Lehman Brothers as co-lead. The bonds were quoted around 99.68.

The African Development Bank continued its financing programme with a $100m floater, paying ⅛ per cent over six-month Libor and commissions totalling 90 basis points. The issue has a 12-year life but investors have a put option after eight years. The bonds were quoted just inside the 55 basis point selling concession. Lead managers are S. G. Warburg with Dean Witter.

A $30m issue with equity warrants for Komori Printing Machinery, a Japanese company, was made by Yamaichi International.

Credit Suisse First Boston was able to cut the coupon on its $150m convertible for NEC from 3¼ per cent to 2¾ per cent – the lowest for such an issue.

Another issue with equity warrants appeared in the D-Mark sector, this time from Mitsubishi Metal. The DM 100m bonds have a five-year life and an indicated 3¾ per cent coupon. Lead manager is Dresner Bank with Yamaichi International as co-lead. The bonds were quoted close to par.

Meanwhile the Inter-American Development Bank launched a straight DM 200m public issue through Deutsche Bank. This has a 10-year life and 7½ per cent coupon at par.

The D-Mark bond market was quiet, with prices unchanged on average, although the better opening in New York made for more active trading late in the day.

Swiss franc bonds were slightly better where changed, with turnover low.

A SwFr 100m private placement for Ishihara Sangyo Kaisha, an agrochemical producer, was announced by Swiss Volksbank. The bonds, convertible into shares, mature in 1990 and have an indicated coupon of 2⅛ per cent.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 3.

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sekisui House 3 99	6/84	612	88¾	89½	0	−0.95
Sumitomo Corp 7⅛ 99	5/84	593	90¼	91¼	+0¼	1.84
Takeda Riken 3⅝ 2000	10/84	7663	96½	97⅞	+0¼	7.61
Tokyo Sanyo Elec 3½ 99	12/84	772	94	95	+0⅝	7.30
Yamanouchi Pharm'cal 4 99	10/83	1483.2	124⅞	125⅞	+4⅞	6.84
Nippon Oil Co 2⅝ 92 SF	3/84	1052	*†107¾	08¾	−1	16.87
Nippon Shinpan Co 2 92 SF	3/84	801	†85½	87¼	+0⅝	27.69
Sanyo Paper 2¼ 92 SF	4/84	677	148¼	149	0	−2.73
Asics 5 92 DM	12/83	528	181¾	182⅝	−0½	24.08
Sun Realty 6¼ 92 DM	2/83	385	188½	189½	+4½	−2.55

* No information available-previous day's price
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.